THE WHITE HOUSE
WASHINGTON

DATE: 2/23

TO: Sylvia Matthews

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

Call me about this.

John

John P -
Can someone
review for
the President,
NH

94 FEB 17 P4:

To: President Clinton
From: Derek S. - Attached highly worth reading + circulating to top economic officials

To: Derek Shearer

From: Richard Rothstein

Date: February 14, 1994 15

Re: International Labor Standards Presentation at D.O.L.

I presented a paper today, "Workplace Globalization: A Policy Response," to a seminar organized by Karen Nussbaum at the Women's Bureau.

Because of the President's comments in Brussels about the importance of making labor rights and standards a subject of GATT discussions, there was much greater interest in the seminar than might otherwise have been the case. Jack Otero, director of the International Labor Affairs Bureau, introduced the seminar by quoting from the President's Brussels press conference. There was a general sense that the President has now put this issue on the agenda and so there is a need to develop the background for a serious policy. In attendance were representatives from the Council of Economic Advisors, Department of State, U.S.A.I.D., the Overseas Private Investment Corporation and the National Commission on Employment Policy, as well as many from the International Labor Affairs Bureau and the Women's Bureau.

In my presentation, I emphasized the "global Keynesian" approach to this problem; i.e., that higher labor standards in developing countries were necessary to expand the purchasing power of Third World workers so that the entire global market can expand and workers in both industrialized and developing countries can benefit. If seen in this way, international labor standards are not a protectionist device to keep Third World exports out of industrialized nations' markets, but rather a device to expand the market to make room for those exports as well as for the production of industrial nations themselves. Most of those present, even those who had been dealing with the international worker rights issue, seemed not to have previously considered this approach to any great extent. However, many seemed to grasp the approach with enthusiasm, and agreed that discussions of "global Keynesianism" and international worker standards, framed in this way, could play an important part in the upcoming "Jobs Summit" discussions about world economic stagnation and the need to boost worldwide demand.

A copy of the paper is enclosed.

Workforce Globalization

A Policy Response

By
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Economic Policy Institute

November 11, 1993

Prepared for the Women's Bureau of the U.S. Department of Labor

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i.

Introduction and Summary

Economic globalization now proceeds rapidly, with an increasing proportion of the world's goods manufactured in countries other than those in which these goods are consumed. Yet while trade expands, too many of the world's peoples do not experience its benefits. The industrialized nations -- North America, Europe and Japan -- have persistently high levels of unemployment, explicit or disguised. Exports as well as imports grew over the last two decades, yet the quality of employment has declined for many workers, with higher-wage manufacturing jobs replaced by lower-paying service jobs. In the developing nations, with a few notable (and perhaps short-term) exceptions, rapidly growing productivity has been accompanied by wages which rise more slowly, or don't rise at all, contrary to predictions and expectations of development economists.

These problems of advanced industrial and third world economies are related. When incomes and purchasing power do not grow for workers in developing nations, the third world's capacity to absorb its own production, along with exports from the industrial nations, is constricted and the manufacturing employment security of workers in the industrialized nations diminishes in turn. When wages for manufacturing workers in third world exporting nations fall below what these workers' productivity could reasonably support, wages of workers in the industrialized nations must decline to meet the competition of declining unit labor costs.

This paper does not attempt to suggest that problems of the world economy result exclusively from this imbalance between developing nations' consumer purchasing power and industrialized nations' overcapacity. The structural problems of the international economy are complex in origin, and no single factor can be charged with responsibility for the world's economic distress. Protectionist trade regimes, inappropriate industrial policies, an obsolete international monetary system, lack of investment in human capital and the inadequacy of international development aid, among other causes, also play a part. Nonetheless, it is the purpose of this paper only to explore aspects of the *purchasing power - capacity imbalance*, since this is an important, if not sole cause of contemporary economic crises.

Post-war success of the American economy was based on a formula of relatively high manufacturing wages enabling high levels of consumption by American workers. This consumption could support growing production which, in turn, maintained wages, consumption and production in an ongoing *upward spiral*. Keynesian fiscal and monetary policies could succeed only because they sought relatively minor adjustments to a stable base of ongoing consumer purchases. Since the 1970s, however, as industrial production has globalized, economic success has been interrupted by stagnation and crisis. American (as well as European and Japanese) industry has successfully shifted technology and productive capital investment to third world export manufacturing sectors, but the labor standards which permitted American workers to consume the fruits of their production have not been similarly shifted. As a consequence, the international economy is in the initial stages of a reverse *downward spiral*, where low third world wages retard these workers' consumption, limiting the production of exports from the industrialized nations and retarding or reversing the growth of industrialized nations' wages. Slower consumption growth in the industrialized nations, in turn, provides fewer markets for developing nations' exports, a fiercer competition for employment-generating capital investment, and third world wages restrained further to succeed in that competition.

In the United States, several labor market institutional supports developed to sustain worker purchasing power and permit sustenance of the upward spiral. Encouragement of collective bargaining was one. Two others were the abolition of child labor and the mandate of a minimum hourly wage. These latter supports were first incorporated into federal law by the Fair Labor Standards Act (FLSA) of 1938, which prohibited children below the age of 16 from working in factories and required the payment of a minimum wage to all workers employed by industries engaged in interstate commerce.

The effective absence of similar institutional supports in developing countries is partly responsible for the contemporary international downward spiral. Yet most U.S. policymakers and international development economists are unenthusiastic, if not hostile, to the need for internationally enforced child labor prohibitions and minimum wages. Their hostility stems from the ahistorical belief that unregulated low wages and child labor are inherently part of the development process; they believe that wages will tend automatically to rise as productivity increases and that child labor will disappear as national incomes grow to the point that keeping children in school becomes affordable. Yet neither empirical nor historical evidence legitimates this faith. In developing countries today, data show that real wages are as likely to fall as rise with productivity gains, and child labor is on the increase in some nations which grow by attracting international investment with low wages. Historical evidence teaches that in the United States, industrial wages began to increase and child labor was abolished only after decades of bitter political conflict to enact legislation requiring or encouraging these results. Neither the empirical nor historical records credit the expectation that an upward spiral can naturally evolve from current policies of imbalanced globalization.

The Fair Labor Standards Act of 1938 was motivated by a recognition of the role that consumer purchasing power (earned by higher wages) plays in promoting economic growth, as well as by a desire to retard the inefficient relocation of production solely to take advantage of lower unit costs permitted by differences in regional labor standards. Representatives of northeastern industrial states recognized that they could not implement child labor prohibitions and fair minimum wage regulation on a state-by-state basis if southeastern states could advertise a failure to adopt such rules to lure industry to relocate and abandon sites where labor standards observance was required. There is little gain, Congress reasoned, if a manufacturer creates jobs in Alabama by destroying them in Massachusetts. Therefore, the Fair Labor Standards Act regulated only employment which was engaged in *interstate* commerce. Manufacturers who were so small or localized that their purchases or sales did not cross state lines were not covered by the law, since such enterprises were not engaged in interstate competition for investment and their low labor standards could bear little responsibility for a downward spiral. The Act, therefore, permitted (and still permits) states to maintain lower standards for enterprises engaged only in intrastate activities.

This paper urges that U.S. policymakers now direct attention to the regulation of child labor and minimum wages of third world enterprises engaged in international commerce. By analogy with domestic policy, there is no need for policymakers to be concerned with the absense of adequate labor standards in third world enterprises engaged only in national commerce, for these enterprises do not contribute to the downward spiral which affects the welfare of industrial country as well as developing country workers. The power to regulate international commerce exists by requiring that goods which enter the U.S. from other nations be manufactured in accordance with acceptable child labor and minimum wage standards.

While some new trade legislation is needed to implement international labor standards policies, several requirements for third world child labor regulation and acceptable minimum wage levels are already part of U.S. trade law. But they have been unenforced or only weakly enforced by policymakers who, failing to examine the evidence, embrace economic models which mistakenly show that labor standards tend, in the absence of regulation, to increase naturally with economic growth. Lack of enthusiasm for enforcement is also attributable to policymakers' insufficient appreciation of the extent to which labor standards requirements are consistent with our own economic traditions and, indeed, were essential to twentieth century American prosperity.

ii.
Growth of Economic Globalization

The United States domestic economy grew at an average annual rate of 3.4 percent between 1980 and 1990, but in the same decade our imports grew more than twice as fast, at a 7.6 percent annual rate. West Germany's economy grew at an average annual rate of 2.1 percent, while its imports grew nearly twice as fast, 3.9 percent a year.

Developing countries had complementary economic characteristics. China's GDP grew at a spectacular 9.5 percent average annual rate during the 1980s, but its exports grew even faster, at a rate of 11 percent a year. While Mexico's economy grew at only a 1 percent average annual rate, its exports grew more than three times as fast (3.4 percent). India's average annual growth was 5.3 percent, while exports grew at a 6.5 percent annual rate. Bangladesh's economic growth averaged 4.3 percent, while its exports averaged 7.6 percent annual growth. Philippine average annual economic growth of 0.9 percent was accompanied by export growth of 2.5 percent (The World Bank, 1992).

For the entire period from 1975 through 1992, imports of the seven major industrialized countries grew at an average annual rate of 4.9 percent, while exports grew at only a 4.4 percent annual rate. Accentuating the imbalance, while most imports were consumer goods, much of the export expansion did not reflect a growth in final demand in countries receiving the exports, but only the transfer of capital or intermediate goods to support investment in third world industries selling back to industrial country consumers. In contrast, in the same period, merchandise exports, mostly consumer goods, from Asian developing countries grew at an average annual rate of 10 percent. Imports, including capital and intermediate goods, grew at a 13.7 percent annual rate. Merchandise exports from developing countries in Latin America grew at an average annual rate of 3.6 percent, while imports, again including capital and intermediate goods, grew at a 4.6 percent rate (IMF, 1993).

With industrialized nations' imports growing faster than their domestic economies, manufacturing capacity shifted from industrial to developing countries. This shift was most pronounced in labor intensive industries, like garment and electronic assembly, which are also industries where women, and in the case of garment assembly, children, are most likely to be employed in nations without adequate regulation. In recent years, more skilled and capital intensive industries have also begun to relocate manufacturing to developing nations.

Real wages have declined for all U.S. manufacturing workers during this period -- average hourly earnings for production and non-supervisory workers declined 9 percent; in constant $1991, from $11.37 to $10.34 from 1973 to 1991 (Mishel and Bernstein, 1993) -- but women workers in the garment industry were especially adversely affected, reflecting the relocation of production and competition with third world exporters. In significant measure because of trade effects, in the 1980s unemployment for apparel workers usually exceeded the national average. In 1985, 11.3% of experienced workers in apparel were unemployed, compared to 7.8% for experienced manufacturing workers and 7.3% for all civilian workers. In February, 1989 (a time of national economic expansion), with industry consolidation at a lower level of permanent employment, the apparel unemployment rate was 8.4%, compared to 5.6% nationally. For women, the unemployment rate for apparel workers was 9.6%, compared to 5.2% for all women workers. Apparel workers were twice as likely as manufacturing workers generally to drop out of the labor force after losing jobs. Five years after becoming unemployed, barely half of apparel workers found new jobs, compared to 2/3 of manufacturing workers generally (Rothstein, 1989). Today there are barely 1 million U.S. apparel workers, a loss of more than 100,000 jobs since 1985 alone. While imports are not the sole cause of these problems, apparel imports now represent 40 percent of the U.S. domestic apparel market, up from less than 25 percent 15 years ago (ATMI, 1993).

In the first half of this century, it was the apparel and textile industry where sweatshop conditions were most likely to be found in the U.S. Reform efforts which eventually culminated in the adoption of the Fair Labor Standards Act in 1938 focused on the exploitation of women and children in this industry. Abolition of child labor and the establishment of a wage and hours standard for adult women in this industry had effects, however, which reverberated throughout the industrial economy as other industries, to maintain wage differentials, also increased pay scales when the minimum standard for textile and apparel increased. Additionally, prohibition of sweatshop conditions in the garment industry was needed to permit the capital investment and production reorganization which eventually made the American apparel industry the most productive in the world. No individual apparel manufacturer, before the advent of mandatory labor standards (along with widespread unionization in some product categories) could afford to make productivity-generating investments because competitors could then underbid that manufacturer by use of child labor, homework, and less-than-subsistence wages. Once all manufacturers were required to respect standards however, productivity-generating investments became possible (Piore, 1990).

Implementation and enforcement of labor standards, particularly the abolition of child labor and institution of acceptable minimum wage levels, can eventually stimulate similar effects in the economies of developing countries. Higher wages in the most labor intensive of industries, like garments, may promote higher wages in other industries to preserve differentials, although the differential between wages in the textile and apparel industry and wages in the rest of the industrial economy may vary from country to country. And the abolition of child labor and sweatshop conditions, primarily a factor in labor intensive soft goods industries, can free national entrepreneurs to make more productive use of their capital and thus stimulate higher economic growth.

Therefore, we look at the regulation of child labor and minimum wages in developing countries, not only as problems in themselves for the women and children working in labor intensive soft goods industries, but as stimuli for broader economic changes which can help promote an upward economic spiral.

iii.
Child Labor in Developing Nations' Export Industries

In April, 1991, *The Wall Street Journal* charged in a front page story that "Underage Laborers Fill Mexican Factories" (Moffett, 1991). The *Journal* told a poignant tale of 12 year-old Vicente Guerrero, winner of his primary school's public speaking contest, first-ranked in his school's general knowledge exam, and so proficient in math he was nicknamed "the wizard," who had been forced to quit school when his family sent him to a $34-a-week job in a shoe factory where he was then poisoned by fumes. Reacting to the publicity, the shoe factory fired Vicente (along with 20 child co-workers) and the *Journal* established a scholarship fund to keep him in school, but some 5 to 10 million other children under the age of 14 continued to work illegally in Mexico (Moffett, 1991).

Eight months after the *Journal* story, the National Consumers League announced a Christmas boycott of toys made in China -- $1.6 billion worth of toys annually. Some 100 American companies import toys from China and, the League charged, over 20 percent of export factories in China's special economic zones near Hong Kong employ children under 16 years of age (Golodner, 1991). Some are girls as young as 10, sleeping two or three to a bed in company dormitories and then working 14-hour days for as little as $10 a month (Lee and

Brady, 1988). In response to earlier publicity about child labor in these export zones, China had adopted a law prohibiting the employment of children in export industries (Wallace, 1991), although enforcement has not been effective.

Then, a year after the League's China boycott, NBC-TV's "Dateline" program accused the Wal-Mart retail chain of contracting for production of garments in a Bangladesh factory where over 60 percent of the 500 workers were children under the age of 13, working up to 20 hours a day and sleeping on the factory floor, earning as little as $7.50 a month. In response to public outrage (fueled by revelations that at least some of this apparel was being sold from "Made in USA" store displays), Wal-Mart promised to initiate a "vendor certification" program to assure that child labor laws would be observed, and announced it would cut off all direct orders from Bangladesh until child labor had been eliminated from its contractors (Harvey, 1993; National Consumers League, 1993a). Nonetheless, child labor continues to flourish in Bangladesh's export apparel industry.

Despite isolated pledges to reform, child labor in third world nations is on the increase. While most nations have laws prohibiting factory employment of children and many have ratified the International Labor Organization's (ILO) Convention 138 which states that the minimum age for employment of children should normally be 15 (and in no case less than 14), enforcement is lax or even explicitly disclaimed. In the Indian state of Uttar Pradesh, for example, the hub of India's export carpet industry where one 300,000 children work, there has not been a single employer prosecuted for a child labor violation since the Child Labour Abolition and Regulation Act was adopted in 1986 (*The Times of India*, 1993). According to a 1992 ILO report, as many as 200 million children are in the world's workforces, employed in export industries, domestic enterprises and the informal sector. Some non-governmental organizations engaged in child labor analysis say the number is twice that high. Children under the age of 14 comprise 11 percent of the work force in some Asian nations (Nullis, 1992). Many are mortgaged by their parents to carpet and garment factories, where their accumulating bills for food, lodging and drugs (often amphetamines dispensed to sustain round-the-clock labor) make redemption of the mortgages impossible and bondage indefinite (Will, 1990; Agence France Presse, 1992; Golodner, 1993). According to the ILO, about half the children in Pakistan's export carpet industry die from malnutrition and disease before the age of 12. The ILO concluded that more than 25 percent of all children between the ages of 10 and 14 in Latin America work -- in Brazil, for example, 34 percent; in Mexico, 11.5 percent (Nullis, 1992; Harvey, 1993).

As developing nations step up export activities, there is, at least in some, a tendency to relax child labor restrictions because, with intense international competition for investment in labor intensive export industries, the ability to assure the lowest wages becomes an important inducement. Children, without families to support, can work for wages even lower than the most impoverished of adults. Thus, for the Dominican Republic to compete for apparel investment against other Asian and Latin American export nations, Dominican firms now lower their wage bills by retention of labor contractors who "recruit" (capture, in reality) Haitian children who are shipped to work in the neighboring Dominican Republic's numerous export factories. Such child slavery is not unique to the Dominican Republic; according to the general director of the ILO, "The forms which forced labour takes on today may be more diverse and better disguised than those in earlier times..." (CWA, 1992-1993b).

Bangladesh's garment industry has burgeoned in the last decade; the country exported $3.7 million worth of garments in 1982 and now exports close to $1 billion worth annually (Brauchli, 1991; CWA, 1992-1993a). While Bangladesh has had legislation prohibiting child labor since British colonial times (since 1934, factory employment of children under 14 years of age has been flatly prohibited), it "is only in recent years that the garment factories have begun to flout the national labour laws with impunity," according to Rosaline Costa, human rights coordinator of the Commission for Justice and Peace of the Catholic Bishops' Conference of Bangladesh and that country's leading crusader against child labor (Collingsworth, 1993; Costa, 1993). By the work of children who have little ability to command even the minimal subsistence wages of adults, Bangladesh has become the ninth largest source of garment imports in the U.S. (Golodner, 1993). The labor force participation rate of 10 - 14 year old girls in Bangladesh jumped from 4.27 percent to 15 percent from 1981 to 1986, according to official Bangladesh statistics, a period when Bangladesh apparel exports were doubling each year (Rothstein, 1989; AFL-CIO, 1990).

Indonesia in 1949 had prohibited labor of children under 15 years of age. But in 1987, to reduce wages and make Indonesia a more attractive locus for direct foreign investment, the country abolished this prohibition for "children forced to work for social or economic reasons" (Harvey, 1993). By 1991, there were 2.8 million Indonesian children working as "bonded" factory laborers -- i.e., mortgaged by their families to employers (Widiadana, 1991).

In 1992, the Philippines, to attract export industries, dropped all its previous age requirements for child labor (Harvey, 1993).

Nepal had no export carpet industry 30 years ago. By 1988, the country had nearly 600 factories producing carpets for export; 12,000 children under the age of 15, working 12 to 16 hour days, comprised 2/3 of this new industrial workforce (Dhital, 1991).

To date, policymakers in the U.S. government and multilateral lending agencies have mostly accepted the rationale that child labor is inevitable in extremely poor countries, and that child labor is a consequence, not a cause of Third World poverty. For example, the most recent U.S. State Department human rights report on Bangladesh states, "The country's poverty level is such that children are regularly engaged in all available jobs" (Sensor, 1993). Because of this belief in the inevitability of child labor, the United States government has been unwilling to take action, despite having available tools to combat use of child labor in developing nations' export industries.

For example, the Trade Act of 1974 (as amended in 1984) requires the U.S. to withdraw tariff-free import privileges (the "Generalized System of Preferences", GSP) for products of developing countries which do not enforce a minimum age for the employment of children -- defined as consistent with the ILO standard of 15 years of age. In 1990, the AFL-CIO, using the Act's procedures, filed a petition to have GSP privileges withdrawn from Bangladesh, based on that country's failure to enforce its child labor laws as well as its violation of other labor standards. The Bangladesh government's response to the petition stated that the "country's abject poverty compels children to work." Nonetheless, Bangladesh stated it "was committed" to the gradual elimination of child labor and would institute a compulsory education law. Without evidence that these commitments were, in fact, being carried out, the U.S. government dismissed the AFL-CIO's petition on grounds that Bangladesh was "taking steps" to address the issues raised (U.S. DOL, 1992).

Despite the apparent indifference of executive branch policymakers, however, international reaction to the growth of child labor in export industries has intensified. In December, 1991, the German government granted DM 50 million to the ILO for establishment of a world-wide campaign, the "International Programme on the Elimination of Child Labour (IPEC);" the following year, Belgium followed with a supplementary contribution (ILO, nd). IPEC is now deploying representatives in Asian countries to investigate and publicize child labor abuses.

In early 1993, Senator Tom Harkin and Congressman George Brown introduced the "Child Labor Deterrence Act of 1993" (S.613 and H.R. 1397), designed to prohibit the import of products if they are manufactured with child labor, defined as workers under the age of

15. If passed, the legislation would also require American firms which import consumer goods to certify that they have taken reasonable steps to insure that their products have not been manufactured or processed, in whole or in part, by children.

The Clinton Administration has not yet taken a formal position on the proposed law, but the expectation of its enactment has attracted attention in developing countries. Some third world governments and manufacturers have reacted to the threat of Harkin-Brown with new policies. The Philippines' labor ministry, for example, announced an intention to reinstate a prohibition on child labor to avoid sanctions if the bill were to pass (Harvey, 1993). India's carpet manufacturers (the nation's biggest export earner, with 2,000 export factories, $300 million of foreign sales and 300,000 child laborers), reacting not only to Harkin-Brown but also to a highly publicized boycott of Indian carpets in Germany (source for 35 percent of India's carpet export earnings in 1991), recently created an association to produce a label certifying that exported carpets were produced without child labor (Reuters, 1992; National Consumers League, 1993b; Agence France Presse, 1992).

Yet most authorities in the developing world (governmental, industrial and non-governmental organizations) and in industrialized nations' development agencies have condemned the proposed legislation, characterizing Harkin-Brown forces as "protectionist." According to Terry Collingsworth, program director of the Asian-American Free Labor Institute who has spent most of the last year in developing countries attempting to interpret the purposes of the proposed American legislation,

> [I]n Thailand and the Philippines, I heard that the law was designed to damage the local toy and garment industries, in India, Nepal and Pakistan, I heard that it was designed to damage the carpet industry, in Mexico and Malaysia, the claim is that it was designed to damage the electronics, garment and textile industries, and in Bangladesh, I hear that it is designed to damage the garment industry (Collingsworth, 1993).

Bangladesh government officials, for example, complained that prohibiting child labor in its garment export sector could "force thousands of child workers into begging or prostitution" (*The Wall Street Journal*, 1993). UNICEF's representative in Bangladesh, Rolf C. Carrier, declared that the prospect of a Harkin-Brown bill "has already done damage to children of Bangladesh by evicting them from garments manufacturing facilities and depriving them of sources of income" (Riaz, 1993). Bangladesh social workers told an interviewer from the *Bangkok Post* that "50,000 children, mostly girls, could be left out of work and pushed into a life of crime" if the Harkin-Brown proposal were implemented (CWA, 1992-1993a).

iv.
The Presumed Inevitability of Child Labor and Low Wages

As part of a growing ferment over third world exports manufactured with child labor, the *Harvard Business Review* this year published a case study exploring the ethical obligations of U.S. firms which contract for children's production abroad (Nichols, 1993). World Bank consultant David Lindauer stated the prevailing view of free market economists and the development establishment:

> If [children] were not in the factory, they might be separated from their mothers and working as maids, or at home on consignment, or in local [non-exporting] carpet factories. Even worse, they might be begging or scavenging...
>
> [We] cannot solve the problem of child labor in a poor country by prohibiting ...contractors from hiring anyone under the age of 14... [I]t will not change the fundamental circumstances of the ...labor market.
>
> A necessary condition for the elimination of child labor is the absorption of excess supplies of domestic labor and a subsequent increase in prevailing wages. When wages and household incomes rise, families can afford not to require their children to work (or accompany their mothers to work). With rising incomes, ...parents will not only want but also be able to afford what other parents want, namely, to provide their children with an education and a childhood. With rising wages, companies also will be less likely to employ children. As labor costs increase, businesses will

move toward higher productivity operations that require more skilled and experienced employees.

We know of no case where a nation developed a modern manufacturing sector without first going through a "sweat shop" phase. How long ago was it that children could be found working in the textile factories of Lowell, Massachusetts, of Manchester, England, or of Osaka, Japan? Should the developing countries of today be any different?

Questions raised by this child labor debate are similar to those concerning other aspects of developing country labor standards. Not only child labor restrictions, but minimum wages, health and safety protections and the rights to organize and bargain collectively are, on the whole, less available to workers in developing countries than to workers in countries at higher levels of industrialization and development. The assumption of most development economists is that abolition of child labor, along with increases in wages and improved environmental and safety conditions, are luxuries which become more affordable as countries get wealthier. Further, they argue, developing countries can get wealthier only by expanding their ability to earn foreign exchange by maximizing their exports. Foreign exchange is needed for investment which will, in the long run, make the country's industry more efficient, productive and technologically advanced, and thus able to afford higher wages and labor standards. But, in the short run, exports can be maximized only by remaining "competitive" -- keeping wages low and labor standards modest. Thus, low wages and child labor become, in this conventional theory, the only vehicle for abolishing low wages and child labor.

But there is a crucial difference between the sweat shops of Lowell, Manchester, or Osaka, and those of Uttar Pradesh, Tijuana, or Dhaka. The former produced garments for home country markets, and their low wage standards and absent labor protections were, in general, related to the economic development level of the nations whose consumers they served. The latter, on the other hand, produce garments primarily for first-world consumer markets. This should alter our expectation of what wage, minimum age and working standards are appropriate. Should not factories which, except for the accident of geographic location, are part of the industrialized world's domestic consumer markets, be regulated in a fashion similar to factories which produce for the same market, but are located in the United States or Western Europe?

Arguments of development economists like Lindauer, so conventional in academic circles, also ignore the historical record which shows that "modern" nations did not emerge from their "sweat shop phase" without intense and lengthy political struggle over child labor. In the United States, after decades of popular agitation, a law prohibiting child labor in factories was enacted in 1917 and was then declared unconstitutional by the Supreme Court. In one of his most passionate dissents, Justice Oliver Wendell Holmes, Jr., protested, "if there is any matter upon which civilized countries have agreed... it is the evil of premature and excessive child labor." A second law which enacted high taxes on profits made from child labor was then adopted and the Court invalidated this as well. Child labor was again prohibited by industrial codes of the New Deal's National Recovery Administration (NRA) and these were also struck down by the Supreme Court. Finally, in 1938, after the Court's composition changed, Congress passed and President Roosevelt signed the Fair Labor Standards Act which prohibited child labor in factories and established minimum wage rules as well (Taylor, 1950 and NCLC, 1937).

In the early years of this century, opposition to child labor legislation was led not only by the National Association of Manufacturers but by academic and social authorities -- Columbia University President Nicholas Murray Butler, Harvard President A. Lawrence Lowell, and Carnegie Foundation President Henry Pritchett, for example (Lumpkin and Douglas, 1937). Arguments of manufacturers and their academic and political supporters were similar to the sophisticated economic rationalizations offered by academic and professional development experts today, though the language was somewhat different. According to one mill owner who represented manufacturers in typical 1916 Congressional testimony: "If you raise the limit to fifteen or sixteen you would simply exaggerate to a much larger extent the hardship that would be visited upon large numbers of people through the country who have had to contend with adverse conditions and upon whom God has laid poverty" (Lumpkin and Douglas, 1937). Such testimony could easily be given by modern economists, only substituting for a deity the "fundamental circumstances of the labor market."

One basis for domestic labor standards regulation in the United States has been a recognition that capital is more mobile than labor and thus, in the absence of mandatory labor standards, industrial capacity would relocate from region to region, driving down wages in a nationwide competitive spiral. In the years preceding the 1938 adoption of the Fair Labor Standards Act, minimum wage increases were proposed by New England Congressmen and Senators, hoping to stem the tide of industrial plants (mostly textiles) relocating to lower-wage southeastern states and precipitating not only job losses but wage declines in New England as well (Cullen, 1961).

The centrality of the FLSA's intent to regulate "unfair competition" for industrial location between states with different economic development levels and standards of living is illustrated by the law's limited application to firms engaged in interstate commerce. The restriction of the FLSA to such firms was not required for constitutional reasons, since the courts and Congress permitted a more expansive definition of interstate commerce in other federal economic laws. As late as 1959, 1/3 of all American non-supervisory workers were excluded from coverage of the minimum wage because their firms were not engaged in interstate commerce, and thus could not engage in "unfair competition" with firms in other regions of the country (Cullen, 1961).

By analogy, therefore, it would be appropriate for Harkin-Brown to regulate child labor in industries which export to the

United States, without presuming to regulate the labor standards of developing nations' industries which operate entirely in their own domestic markets. In the absence of such international regulation, manufacturers will inevitably stimulate a downward competitive spiral in which nations, in order to attract and retain investment, must restrain wage growth and encourage the use of child labor, actions which take these nations in exactly the opposite direction which development theory predicts they should go as industrialization proceeds.

When the Chinese government, in response to international pressure, attempted to eliminate child labor in a 2600 employee toy factory in 1988, officials were told by the Hong Kong manager for the American toy companies which contracted for the work, "[T]his is the toy biz. If you don't allow us to do things our way, we'll close down our Chinese factories and move to Thailand" (Lee and Brady, 1988).

Child labor in the export carpet industry of India and other South Asia nations burgeoned only after the Shah of Iran, in 1970, banned child labor in his country's carpet industry (Will, 1990). This ban resulted in price increases for Iranian carpets whose cost could now be undercut by other Asian nations which created export economies utilizing child labor. Thus, economic globalization rendered ineffective the Shah's attempt to raise his own country's labor standards by prohibiting child labor. The Shah's ban succeeded only in destroying Iran's carpet export opportunities, and substituting the servitude of children in India, Pakistan and Nepal for the work of Iranian children. Only a uniform international ban, enforced by the importing countries, can prevent such downward spirals.

Another flaw in conventional development theory is the assumption that third world economic policies can assume full-employment equilibria. According to this textbook theory, child labor cannot reduce incomes because young adults are more productive workers than children. Therefore, no employer would hire children unless young adult workers were unavailable at the wage being offered. Their unavailability must be attributable to their ability to command higher wages in other occupations. If children work in the market economy, therefore, they cannot be displacing adult workers or driving down their wages; rather, the poverty of their families must force them into factories to supplement family income.

But the equilibrium assumption is false. During the Great Depression, it became clear that child labor in the U.S. did not alleviate poverty but perpetuated it, because children were at work while adults were unemployed. Manufacturers preferred children because their wages were lower. Adults could work only if pay was sufficient to support families at the most minimal of levels, but children would work for even less, only to contribute a few pennies to family coffers each week.

In virtually every country where child labor is prevalent, it exists alongside substantial adult unemployment, notwithstanding official statistics which may suggest the contrary. In Mexico, for example, where 12 percent of children are working, the official unemployment rate is only 2.9 percent, yet this calculation counts as "employed" anyone working for a minimum of one hour a week, even in the informal economy. Only 56 percent of Mexico's 24 million person labor force is employed by legal companies or by the government -- in contrast, in the United States where official unemployment ranges between 5 and 10 percent, 80 percent of the workforce is employed in the formal economy (Uchitelle, 1993). Thus, as many as 10 million Mexican adults may be seriously underemployed, equal to the number of children who are working.

According to IPEC,

> some developing countries have unemployment rates of between 20 and 30 per cent and ...100 to 200 million child labourers represent 4 to 8 per cent of the world employment potential of 2.4 billion. The replacement of child labourers by

unemployed adults could in theory have a major impact on employment prospects in many developing countries (ILO, nd).

In the context of high adult unemployment and underemployment, children's work in export factories cannot be attributed to unavailability of adult labor. In reality, children are employed because, not self-supporting, they can be paid wages lower than those on which adult workers can subsist. In Egypt, there are one million child laborers and three million unemployed adults. Children working in factories range in age from 4 1/2 to 15 and earn between a quarter and a third of adult wages (Cowell, 1988). Adults cannot subsist on such wages. Children, however, are not expected to do so, but only to contribute earnings to a household pool. A study of Indonesian factory workers in 1991 found that child laborers were paid $4.45 per week for identical work to that for which adults were paid $5.51. In addition to this 24 percent adult premium, adult workers were provided with supplementary meal allowances and bonus payments (CWA, 1991).

Thus, realities of child labor in developing nations' export sectors force reconsideration of the claim that employment opportunities for children are essential because of their families' extreme poverty or in order to protect children from worse fates than factory employment. For while both these claims may be true for individual children in the absence of universal regulation, their truth derives from the lack of a universal prohibition on child labor, and this, in turn, stimulates international competition: for the most exploitative export conditions, for an increase in adult unemployment and a reduction in the adult wage level and, as a result, in family income.

V.

International Wage Regulation and The Wage-Productivity Disjuncture in a Globalized Economy

Restrictions on child labor, by enforcement of GSP child labor provisions and/or by the adoption and enforcement of the Harkin-Brown bill, will not itself stem an uncontrolled downward spiral in earnings and living standards. Just as child labor was abolished in our domestic industry to prevent subversion of adult wage rates, minimum wage regulation comparable to that enforced in the U.S. domestic economy is also appropriate for international trade.

Direct wage regulation is needed because of another shortcoming of conventional development theories. The expectation that industrialization will bring with it improved productivity and that productivity gains, in turn, will be translated into higher wages, is also unrealized in today's international economy.

In fact, contrary to conventional expectations, wages in developing nations often decline simultaneously with worker productivity gains. This has occurred because productivity gains have accompanied greater dependence on international capital and export markets. With surplus labor pools in most developing countries, and technology and capital easily mobile, manufacturers and importers from industrialized nations need not pass the fruits of higher productivity on to third world workers. Rather, if workers demand rising compensation (either by trade union organization or other forms of national wage regulation), investors can respond either by hiring children or other underemployed adults, or, if need be, by relocating to nations where productivity is nearly identical, but wage demands less forceful.

Malaysia's electronics industry, for example, supplies components not only to the consumer electronics industries of the U.S., Japan and other industrialized nations, but also to major U.S. government defense contractors. Malaysia is the world's largest exporter of semiconductors, with 85,000 electronics workers. It has no minimum wage law, so U.S.-owned corporations like Texas Instruments, Intel, and National Semiconductor can pay 45 cents an hour for unskilled production work. A dozen girls (young though probably not children) recruited from rural villages, may share a one room apartment in Kuala Lumpur. They sleep and work in round-the-clock shifts (Grace, 1990; ILRERF, 1990). Malaysian law normally permits workers to organize unions to improve wages and working conditions, but the Malaysian government exempted electronics workers, prohibiting unions in this sector. An American industry group, the Malaysian American Electronics Industry Society, threatened that its member firms would not continue to invest in Malaysia if unions were permitted (ILRERF, 1990). Like the Shah of Iran in 1970, or like the Chinese authorities who in 1988 attempted to restrain child labor, Malaysian officials discovered that they have little ability to regulate labor standards within their borders. Investors can nullify labor regulation by relocating capital (and employment) to other, more pliable nations.

Walter Russell Mead suggests that economic globalization has created an unprecedented disjuncture between wage levels and productivity. He has focused on developing country industries which export to the United States and whose growth has accompanied substantial displacement of U.S. workers: two examples are garments manufactured in Bangladesh and steel manufactured in Brazil.

Mead found that U.S. shirtmakers are more productive than shirtmakers in the developing world. In the U.S., 14 person-minutes were required in the mid-1980s to make one men's shirt. In Bangladesh, on the other hand, one men's shirt included 25 person-minutes of labor.

Yet the average U.S. garment worker's wage was $7.53 per hour, while the average Bangladesh garment wage was $0.25 per hour. The U.S., consequently, enjoyed a 1.8 to 1 advantage in productivity, while Bangladesh enjoyed a 30 to 1 advantage in wages. Thus, the unit labor cost of a shirt in the U.S. was $1.76 while the unit labor cost in Bangladesh was only $0.10 (Mead, 1990).

If capital were not excessively mobile in comparison to labor, Bangladesh garment workers should have been able to demand wages approaching $4.21 per hour which, based on Bangladesh productivity, would have resulted in a Bangladesh unit labor cost for men's shirts of $1.76, comparable to that in the U.S. While this figure does not account for higher shipping and other transaction costs for production in Bangladesh, neither does it account for costs which may also be lower in Bangladesh (factory space, for example). In any event, if labor in Bangladesh could freely compete against garment workers in the U.S., wages would certainly be higher than the current rate for adults or the much lower rate for children. Bangladesh cannot use its growing productivity to improve its competitive standing, however, because if it attempted to do so, investors would relocate out of the country.

For a second illustration, Mead reviewed cost figures for production of hot rolled steel. Again, U.S. industry is more productive. In 1987, it required 3.4 person-hours in the United States to produce one metric ton, compared to 5.8 person-hours in Brazil. Yet steel industry wages in Brazil were so low that this 1.7 to 1 productivity advantage of the United States was more than offset by a 10 to 1 compensation advantage for Brazil. At the time, average hourly earnings of steelworkers in the United States were approximately $13 an hour (Mishel and Simon, 1988; Katz and Summers, 1989). If Brazilian steelworkers had an opportunity to use their productivity in bargaining like that enjoyed by American steelworkers, steel industry wages in Brazil should be closer to $7.60 an hour, not the $1.28 an hour which Brazilian steelworkers actually received. Brazil's steel industry has an active labor movement, but it has been restrained by government from raising industry wages. In 1988, for example, unionized steelworkers occupied the National Steel Company in Volta Redonda, but the army dislodged the strikers, killing three of them (Brooke, 1990).

Many developing nations in the last decade have deliberately suppressed wages so that unit labor costs fall even faster than productivity rises. To gain competitive advantage and keep wages low, governments have utilized tough labor regulations, macroeconomic and social policies. As a result, the expectation of established economic theory that wages in developing countries will consistently rise as productivity rises has not been met. From 1980 to 1989, real manufacturing wages in Mexico fell by 24 percent while industrial productivity (measured by the World Bank as gross output per employee, considering both national and export-oriented industries) increased by 28 percent. In Bangladesh, wages did not change during this period, but productivity grew by 20 percent. In Brazil, on the other hand, wages did grow faster than productivity during this period -- 64 percent vs. 25 percent (World Bank, 1992), but not fast enough to offset the country's substantial unit labor cost advantage in most export industries.

Congressman George Brown, sponsor of the Child Labor Deterrence Act, advocates that U.S. policy should also insist that third world wage rates should rise with productivity gains (Brown, Goold and Cavanagh, 1992). As the above examples have suggested, however, the policy should go further. If wages are set too low, an assurance that wages will henceforth rise with future productivity gains will prevent the standard from getting worse with respect to unit labor costs, but will not correct the initial imbalance.

Responding to opposition to the North American Free Trade Agreement (NAFTA) in the U.S. Congress, Mexico's president Carlos Salinas de Gortari has stated that Mexico would henceforth increase its minimum wage to keep pace with productivity gains. "We'll be assuring an effective and permanent improvement in minimum wages, now and in the future," Salinas proclaimed in a national radio address after concluding negotiations on labor and environmental side agreements (Nomani and Solis, 1993; Smith, 1993). Yet Mexico's export industry productivity is already nearly equal to U.S. levels, while wages have been suppressed. Unless compensatory boosts remedy this pattern before tying minimum wages to Mexico's future productivity (now growing at about 6 percent a year), the proposed policy will only lock-in the existing disparity in unit labor costs which stems from Mexico's surplus labor force, availability of child labor, and national policies to suppress adult wage levels.

Unlike the feasibility of enforcing a prohibition on imports manufactured with child labor, it is neither practical nor desirable to develop policies fixing the wages at which imports are manufactured, since to do so would go beyond appropriate regulation to a destructive interference with labor markets. However, just as a child labor prohibition has precedent in the U.S.' own domestic regulation, there is a domestic tool to establish a floor under wages which is appropriate for adaptation to the new internationalized economy -- regulation of minimum wages. Just as the FLSA established the principle that wage competition in domestic interstate commerce should not force wages beneath a nationally accepted minimum level, so it may be appropriate to regulate the import of products which are manufactured in nations where minimum wage regulation is inappropriately weak. To succeed, however, such regulation must be uniform. To require only some developing nations to enforce appropriate minimum wage levels, while permitting others to keep wages suppressed, is only to invite capital to relocate from the former group to the latter (Rothstein, forthcoming).

vi.
Implementing Existing Law to Require Regulation of Exporters' Wage Regimes

There is already U.S. legislation which provides tools to accomplish this regulatory goal. Throughout the 1980s, former Congressman Donald Pease (Ohio) sponsored amendments, eventually enacted, to several trade laws which require U.S. foreign trade to be conducted consistent with "internationally recognized worker rights." While specific language differs slightly from statute to statute, in general the Pease amendments require nations which benefit from trade concessions or assistance programs to provide their workers with the right of association, the right to organize and bargain collectively, protections against forced labor, a minimum age for the employment of children, and acceptable conditions regarding minimum wages, hours of work, and workplace health and safety.

For standards like "acceptable conditions regarding minimum wages," the legislative history is clear that "the definition of worker rights be interpreted to be commensurate with the development level of the particular country," and that national worker standards would not be considered violations if they "are not inconsistent with the level of economic development of the foreign country" (Collingsworth, 1989).

International worker rights provisions are included in the Caribbean Basin Economic Recovery Act of 1986 (the Caribbean Basin Initiative), the Generalized System of Preferences Act (GSP, discussed above), the Overseas Private Investment Corporation (OPIC), Section 301 of the 1988 Omnibus Trade and Competitiveness Act, instructions for U.S.-designated Executive Directors to the international financial institutions (World Bank, International Monetary Fund, regional development banks), and the 1993 appropriation to the Foreign Assistance Act (AID).

Enforcement of these Pease amendments has been weak, with some exceptions. In the case of the Caribbean Basin Initiative, the United States required several countries, prior to being designated as eligible for CBI benefits, to sign agreements to improve worker rights observance, including minimum wage policies. For example, the initial letter designating Haiti as a CBI beneficiary required Haiti to use a weekly radio program to publicize labor code protections, and required the Haitian government to commit that workers who report minimum wage violations will not be punished by their employers. In the case of the Dominican Republic, the U.S.

designation letter required a commitment that all workers would receive payment of at least the minimum wage of $3.50 per day. Honduras was required to assign additional labor inspectors to the export zone. In other cases, designation letters' worker rights discussions mainly involved the right of workers to form unions (Charnovitz, 1984).

Section 301 of the Omnibus Trade and Competitiveness Act of 1988 has never been used to pursue a worker rights claim, despite the Act's definition of the lack of respect for international worker rights as an unreasonable trading practice. Worker rights cases are discretionary under Section 301, and the USTR is only "authorized," not required, to impose sanctions in case of violations. Even without sanctions, however, the threat of sanctions could be a powerful negotiating tool if the U.S. Trade Representative used it to persuade developing nations to raise their labor standards.

Of contemporary laws regulating international worker rights, the Generalized System of Preferences (GSP) has gained greatest attention. The GSP offers duty-free status for most products exported to the U.S. from developing countries unless the exporting country "has not taken or is not taking steps to afford internationally recognized worker rights to workers in the country." However, as in the Bangladesh case described above, responsible executive branch officials have been reluctant to use this tool (Rothstein, 1993).

The Pease Amendments have made international worker rights an element of U.S. trade policy, but there has been no federal rulemaking to develop a methodology for defining acceptable minimum wage levels for developing nations, consistent with those nations' levels of development.

In part, policymakers' reluctance to define acceptable minimum wage levels stems from defensiveness about the charge that such regulations in U.S. trade policy would be "protectionist," designed to cloak inefficiencies of U.S. domestic industries with an attack on the development strategies of third world nations. Surely, if the possibility of restricting imports manufactured with child labor stimulates widespread attacks on the U.S. for alleged protectionism, any effort to restrict imports based on the appropriateness of wage levels would stimulate even more furious reactions.

It is undeniable that international worker rights advocacy is motivated in large part by a desire to protect domestic industries from being undermined by imports whose costs are artificially low, due to unacceptably low wages which bear no relationship to workers' productivity. However, it would also be mistaken to conclude that a higher minimum wage standard in developing nations, along with abolition of child labor, would not also benefit those nations, if the application of these standards was universal. The benefits of higher minimum wages are twofold: first, the incentive for industry faced with a minimum wage requirement to implement technologies which offset labor costs with even higher productivity; and second, the stimulus which comes from increased purchasing power of workers in a developing economy.

Failure to account for the possibilities of induced capital-labor substitution, as well as the incentives for better training and reduced turnover, is one reason why academic economists almost always predict that minimum wage increases will create unemployment and, in many cases, turn out to be wrong. More productive labor can, by offering products at both higher wages and lower costs, expand markets and employment together. The simplistic notion that labor is most efficient at its lowest cost was disproved in the ante-bellum American South, when plantation owners feared to entrust slaves with adequate tools because use of tools required more training, self-direction and motivation than could be expected from workers without adequate rights or standards; the notion has been repeatedly discredited since then. In extreme cases, twentieth century studies of third world workers continue to find that productivity can be dramatically increased if workers pay is simply increased enough to purchase the minimal caloric intake needed to perform adequately (ILO, 1968). In such circumstances, however, the productivity pay-off is longer term than the immediate cost of a higher minimum wage, so uniform national enforcement is required to induce employers to make the necessary investment.

When developing nations have incentives to keep children in the workforce rather than in schools, these nations undermine the potential of their own economic growth by denying themselves a better educated workforce in the future. Of all labor standards violations, child labor is the most self-destructive, impoverishing not only present but future generations.

vii.
Unacceptably Low Wages Depress Worldwide Purchasing Power

Few would disagree that an optimal strategy for developing countries would include both the expansion of internal markets by an increase in domestic purchasing power, and the growth of exports to finance greater investment in industrialization. Difficulties arise because in the absence of international wage regulation, no developing nation can afford to embark on the former policy since it threatens the nation's ability to embark on the latter. International wage regulation, however, could permit nations to find this balance. If the growth of wages and internal purchasing power was matched by the growth of wages in competitor exporting nations, third world policymakers could seize the opportunity to permit wage growth. They are denied this opportunity only by the willingness of industrialized nation importers to close their eyes to labor exploitation in all developing nation exporters. Just as domestic minimum wage regulation is needed to prevent a downward wage spiral which, in the long run, benefits no participant, so too is international wage regulation needed to prevent competitive impoverishment.

Especially at the low standards of living of most third world industrial workers, the propensity to consume out of wages is relatively high. Thus, an increase in third world industrial wages will give the world economy a much-needed stimulus; continued wage repression runs the danger of compounding demand shortfalls to the point of disaster. As Jeff Faux stated,

> One does not have to be an expert in economics to see that the world economy cannot continue with all nations expanding exports and constricting the ability of their workers to buy imports. Sooner or later, the combination of overcapacity, excessive debt and inadequate incomes will produce a world recession...(Faux, 1990).

Whether the world economy is about to reach this point is uncertain. However, development economists who assume that higher minimum wages automatically result in reduced employment ignore the need to investigate its truth. The third world may be in a situation where, contrary to conventional wisdom, minimum wage increases of appropriate magnitude may not reduce employment. By contributing to a net increase in global demand, modestly higher wages may increase employment. This will be the case if there is presently worldwide surplus capacity; it is probable that such a surplus has been created, especially in the textile and apparel industries, by the entrance into export markets of more and more industries in developing countries, each seeking competitive advantage by lower and lower wage costs.

As Walter Russell Mead described, "when an automobile plant closes in Detroit, and reopens in Mexico with workers earning ten percent of comparable wages in Detroit, the supply of cars has not changed, but the demand has decreased. The unemployed Detroit workers cannot buy as many cars as they used to, and the Mexicans are too poorly paid to take up the slack" (Mead, 1989). To address these problems, Mead calls for a "global New Deal." A minimum wage policy was essential to the Keynesian strategy followed by the U.S. and other industrialized nations following the Great Depression. While economists generally believe that the globalization of production and finance constrains the ability of nations to implement domestic Keynesian policies, many erroneously assume that international demand management is no longer an available economic policy. On the contrary, while it may be less available for an individual national government, it is all the more critical for international economic policy. While the importance of alternative international monetary and macroeconomic policies for the expansion of world demand should not be ignored, it is hard to imagine implementing a global New Deal policy in which minimum wage policy is not also a centerpiece.

Federal rulemaking to establish acceptable minimum wage policies for exporting nations, whether to fulfill the mandate of the Pease amendments or for the purpose of new legislation to accompany the Harkin-Brown child labor proposal, could follow these steps (Rothstein, forthcoming): First, as Mead did for Bangladesh's shirt industry and Brazil's steel sector, a determination should be made of the unit labor costs in the dominant industry of a particular country's export sector. This determination can be used to suggest an average wage level which would equalize that unit labor cost with the unit labor costs of similar industries in the industrialized importing nations. Second, an assessment should be made, based on the country's own experience as well as on the experience of countries at similar levels of development, of the relationship between a minimum wage and the country's average wage level. This determination can be used to suggest the minimum wage which would ordinarily be expected to generate the average wage level previously calculated for the dominant export industry. Finally, the industrialized countries should establish concessionary principles for countries at lower levels of development, for the purpose of encouraging and supporting the gradual movement of labor intensive industries (like garments and electronics assembly) from the higher to the lesser developed nations. If, as is presently done by multilateral lending agencies, developed countries are grouped in bands based on levels of development, countries in the higher bands should be expected to enforce minimum wage rates which would normally support unit labor costs roughly equalized with those prevailing in the industrialized economies, while countries in the lower bands would be expected to enforce minimum wage rates which were a declining fraction of the optimal rate.

Policies to enforce acceptable minimum wage rates and prohibitions on child labor in economies which export to the United States are appropriate and necessary. Such policies will retard the competitive spiral in which developing and industrialized nations now find themselves, whereby wages in each nation decline as nations bid against each other for investment of firms manufacturing products for export. Higher labor standards will encourage developing economies to invest in education, training and technology, so that they make the most efficient use of their available workforces and create the greatest returns for their labor investments. And such policies will contribute to the growth of the world's final demand, so that all economies, developing and industrialized alike, have a greater opportunity to implement full employment policies which benefit all their citizens.

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FYI / Derek

And Clinton's (failing) attempt to stop them.

WHY YOUR WAGES KEEP FALLING

By John B. Judis

"For twenty years the wages of working people have been stagnant or declining.... For too many families, even when both parents were working, the American dream has been slipping away. In 1992 the American people demanded that we change," Bill Clinton declared in his State of the Union address. But in the year he has been in office, Clinton has not succeeded any better than his predecessors in meeting that demand. Last year, Americans' hourly wages didn't grow at all. And the wages of workers in mining, construction, transportation, public utilities, retail, business and health services fell as much as 2 percent. Even college-educated workers—thought to be immune from economic distress—saw their wages drop almost 1 percent. And these are the lucky ones. The rest have had to make do with temporary jobs or have simply been laid off.

As Clinton acknowledged, these figures are about more than just dollars and cents. They are about the sustaining myth of American life. In the twentieth century, the promise of America—once religious salvation—became an ever rising standard of living. Until the 1970s that promise was fulfilled. But since then, Americans' real wages have been falling at an increasing rate—1.6 percent from 1973 to 1978 and 9.6 percent from 1979 to 1993. So far the reaction has been a low rumble, muted by two-earner families and overtime hours. But if wages continue to decline, that rumble could turn into a deafening roar.

There are plenty of causes: government policies, new technologies and automation, more women in the work force. But the most important, and an often overlooked one, is the change that occurred in the relationship between business and labor after the loss of American industrial supremacy. The unfashionable truth is that the decline of American wages has been largely a result of the decline of American labor unions.

From World War II through the early '70s, American business and labor leaders enjoyed an amicable relationship. They worked together against Soviet communism and for free trade, civil rights and increases in Social Security and the minimum wage. While they sometimes exchanged harsh words at the bargaining table, they reached agreements that, between 1948 and 1973, doubled the real wages and benefits of American workers. The relationship was sustained by U.S. firms' domination of the world market. American steel and auto companies could always offset wage increases with price increases without undermining their profits or market share.

During these years, American workers in the private sector occupied three tiers. On the first tier were workers from largely unionized industries in manufacturing, transportation, mining and construction. These workers enjoyed a 10 percent to 30 percent wage and benefit premium over their nonunion counterparts, who comprised the second tier. The third tier was made up of primarily nonunion service and small-business workers. Wages in this tier, subject to supply and demand and the minimum wage, ran as little as one-third of those in the first tier. Despite the hierarchy, however, workers in the second and third tiers benefited from the wage gains and clout of first-tier unionized workers. Employers of nonunionized workers in industries dominated by unions often paid comparable salaries in order to discourage unionization. And third-tier workers benefited not only from increases in the minimum wage won by unions, but also from the looming threat of unionization.

By the early '70s, American business lost the industrial superiority that had supported this edifice. In 1971 the United States, competing with revived European and Japanese manufacturers, ran its first trade deficit since 1893. And as more countries modernized, American firms in key industries such as steel, automobiles, shipbuilding and textiles faced a global glut of production. Business became a tougher game in which even minor price increases could lead to huge losses in market share and profits. It was under this pressure that American firms began to re-examine their relationship with labor and their commitment to the prevailing wage structure.

During the 1970s corporations started to resist wage increases and fight labor unions in the political arena. In 1972 corporate CEOs formed their own lobbying organization, the Business Roundtable. During the Carter years, the Roundtable's lobbyists succeeded in watering down the Humphrey-Hawkins Full Employment Bill and in blocking labor law reform that would have amended the National Labor Relations Act to increase the penalties on employers that used intimidation to discourage workers from joining a union. In the 1980s, under Ronald Reagan, business went even further, defeating attempts to adjust the minimum wage to inflation and securing the nomination of anti-labor candidates to the National Labor Relations Board and other government panels.

During the Reagan years, businesses also began to demand and get "givebacks" from unions. Corporations won unprecedented concessions in meat-packing, tires, steel, motor vehicles, trucking and air transportation. Companies that didn't have unions used long neglected loopholes in labor law to thwart unionization; other unionized companies such as Phelps Dodge and Eastern Airlines, inspired by Reagan's ouster of the PATCO strikers, sought to remove their unions.

Under relentless attack from business and facing a hostile administration in Washington, unions lost ground, declining from 31 percent of the nonagricultural work force in 1970 to 26 percent in 1979 to 13 percent today. The effect of this on wages can be calculated by multiplying the loss in the wage premium by the number of workers who might otherwise have been represented by unions. On this basis, Lawrence Mishel and Jared Bernstein of the Economic Policy Institute, the authors of *The State of Working America*, estimate that the collapse of unionism cost blue-collar workers 3.6 percent in real wages from 1978 to 1988.

At a deeper level, business' successful offensive against unions changed the wage structure of the American economy. Instead of unionized workers setting the pace in wages, they became a lagging indicator of the real state of the wage economy. The first tier began to shrink and collapse into the second tier. Workers in the heavily unionized steel industry, for example, saw their wages fall from $20.37 per hour in 1981 to $17.91 per hour in 1987 to $16.87 per hour in 1992 (all these figures are in 1992 dollars). Workers in the second tier began to see their wages driven down to the level of nonunionized laborers and service workers. The wages of partially unionized meat-packing workers went from $13.98 per hour in 1981 to $10.39 per hour in 1987 to $9.15 per hour in 1992. Meanwhile, workers in the third tier, deprived of even the modest protections of the minimum wage, found themselves edging toward subsistence levels. Workers in restaurants and bars—one of the fastest-growing groups in the 1980s—saw their wages fall from $6.14 per hour in 1981 to $5.46 per hour in 1987 to $5.29 per hour in 1992.

This collapse of the partnership between business and labor and the resulting decline of unionism helps explain why real wages fell so sharply in the United States but were resilient in Western Europe and Japan. European and Japanese firms also faced stiff competition and global overcapacity in the 1970s and 1980s. But in Western Europe, because of the strength of their unions and their countries' social democratic parties, and in Japan, because of the commitment to a harmonious relationship between labor and business, firms sought other means to protect their profits, from trade protection to limits on immigrant workers to on-the-job productivity. When these measures failed, they even accepted lower profit rates. In the United States, however, business sought to defend its profits primarily by holding down wages: often by eliminating unions or preventing them from organizing.

In this climate, other shifts took place to weaken wages still further. To cut costs, businesses began to move manufacturing facilities overseas. In 1987 automakers spent $28 billion on parts manufactured overseas, up from $8 billion ten years before. The Big Three went from importing 500,000 engines in 1983 to 1.92 million in 1987. Companies also replaced workers with technology. From 1979 to 1992, thanks to automation, manufacturing output rose 13.1 percent, while the work force declined by 15 percent. Both trends eliminated many of the higher-wage first-tier jobs and plunged these workers into competition for lower-wage second-tier and third-tier jobs. In 1979, 38 percent of 25- to 34-year-old male high school graduates were employed in better-paying manufacturing jobs; by 1987 only 29 percent were, while those employed in the low-paying wholesale and retail trade sector rose from 18 percent to 23 percent. And union attempts to organize these service workers proved largely unsuccessful.

The trade deficit and immigration didn't help. In 1982 the United States began running massive trade deficits in industrial goods, particularly cars, auto parts and consumer electronics, creating a net loss of American manufacturing jobs. And the influx of unskilled immigrants during the '80s drove down the wages of third-tier workers, particularly in the West. In a 1991 study for the National Bureau of Economic Research, economists George J. Borjas, Richard Freeman and Lawrence Katz (who is now the Labor Department's chief economist) estimated that from 1980 to 1988, up to half of the 10 percent decline in the wages of high school dropouts was attributable to the trade deficit and the immigration of unskilled labor.

The entry of women into the work force may also have depressed real wages. From 1970 to 1988 the percentage of working women rose from 43.3 to 56.6. These new workers probably helped hold down wages in third-tier service work, but more important, they allowed the impact of the sharp contraction of male income to be softened. By contributing to family income, women made it possible for families to increase their income even though individual wages were declining. According to Mishel and Bernstein, family income grew 0.6 percent per year from 1973 to 1979 and 0.4 percent from 1979 to 1989. If family income had declined at the same precipitous rate as male income, then workers would have fiercely resisted wage cuts, and the 1980s might have been a period of labor militancy similar to the 1870s or 1930s.

Of course, not all workers have suffered declining wages in the past two decades. During the 1970s college-educated workers and upper-level white-collar workers found their wages stagnating, but in the early '80s, they gained ground, creating a widening gulf between lower- and upper-income workers and between high school and college-educated workers. But this gap may prove transitory. From 1989 to 1993 the wages of white-collar executives and managers dropped 0.8 percent, the wages of technical workers fell 2.9 percent and the wages of college-educated workers declined by 2.5 percent.

The rise and then fall in white-collar wages was caused partly by a shift in supply and demand. According to economists Frank Levy and Richard Murnane, the number of college-educated workers rose 85 percent between 1971 and 1980; then, between 1979 and 1987, a time when new technology was creating demand for specially trained workers, the number rose by only 32 percent, bidding up wages. Now supply is once more outrunning demand. In *The Monthly Labor Review*, Kristina Shelley, an economist at the Bureau of Labor Statistics, predicts that from 1990 to 2005 job openings for college graduates will slump compared with the previous five years, while the number of bachelor's degrees will increase. The temporary reprieve for college-educated earnings may already be over.

White-collar and college-educated workers are also going through a process called "proletarianization." Initially seen as professionals or as part of management, these workers are now finding their work regulated in the same manner as wage workers in factories and offices. Doctors and nurses have become employees of HMOs; computer programmers have become piece workers for giant software firms. As they have lost the prerogatives of management or the protections of a craft guild, their wages have begun to fall like everyone else's.

So what's to be done? Plenty of solutions have been proposed to counter the decline of wages, but most of them address secondary rather than primary causes. Economists typically blame lower wages on lagging productivity and hope higher productivity is the answer. They're half-right. Higher productivity is necessary for higher real wages, but it hasn't turned out to be sufficient. During the 1980s manufacturing productivity grew a robust 3.6 percent annually, but manufacturing wages fell by 0.6 percent per year. What might have been labor's share went into dividends and profits.

Clinton's solution, derived from Secretary of Labor Robert Reich, is to finance worker retraining. Reich argues that the cause of wage decline is a mismatch between workers' skills and the demands of a high-tech economy, resulting in too many unskilled or semi-skilled workers chasing too few jobs and too few college graduates chasing the new high-wage, high-skill jobs. Reich has proposed spending $3.5 billion on worker retraining over the next four years. "All of the studies show that if you get long-term training [for] a year or more," Reich explains, "you're going to affect your future incomes by increasing that future income by an average of 5 to 6 percent."

Reich is also half-right. There's a surplus of unskilled and semi-skilled labor. Unfortunately, giving them skills won't necessarily help things. According to a study last fall by James Franklin of the Bureau of Labor Statistics, most new jobs in the next decade will be as unskilled hospital orderlies or food preparation workers, not as software engineers or marketing supervisors. And while training, especially on the job, can boost productivity, studies don't bear out Reich's or Clinton's hopes that it will raise the future wages of those involved. The most recent Labor Department survey, conducted by the highly respected Mathematica Policy Group, found that laid-off workers who underwent training under the Trade Adjustment Assistance Act failed to raise their wages. More than three-quarters of the workers, the study found, "earned less in their new job three years after their initial unemployment insurance claim than they did in their pre-layoff job."

The solution favored by many labor leaders and liberal Democrats is to restore the pre-1973 status quo. They want to raise the minimum wage (which Clinton has postponed asking Congress to do), reform labor laws, restrict the immigration of unskilled workers and remove incentives for firms to have foreign countries do their manufacturing. While these measures address the causes of wage decline much more directly than do the economists' or Clinton's proposals, they slight the genuine dilemma that American businesses face. If wages were to increase at the rate that they did from 1948 to 1973, many American firms quickly would suffer the fate of Frigidaire or Philco. The world economy is simply a different and less friendly place than it once was.

What is really needed is a grand compromise between business and labor, where business would secure labor's commitment to raising productivity and keeping wage costs competitive in exchange for its support of legislation strengthening labor's organizing rights. Although it wouldn't restore the status quo ante, this kind of compromise would do more to brake the fall in wages than the most innovative training program.

Some labor economists and maverick labor leaders have already suggested this kind of compromise. MIT economist Thomas Kochan, a member of the administration's newly appointed Commission on the Future of Worker-Management Relations, has proposed one possible deal. Business would support labor law reform to put teeth into the laws that deter companies from strong-arming against union organization. In return, labor would swallow what is now a potentially illegal way to raise worker productivity—Japanese-style, management-sponsored employee committees in nonunion workplaces. But while some labor unions would support this kind of compromise, business is almost universally opposed. Absent a wave of 1930s-style worker militance, business leaders believe they would be giving up more than they receive by agreeing to any new labor organizing rights. Kochan has tried to interest Clinton and Reich in this idea, but they remain enthralled with the panacea of retraining.

It would be nice if the affliction of falling real wages could be cured through the market's invisible hand. But it has already persisted through three recessions and recoveries. It's a problem that ultimately requires visionary thinking and radical political action. But like other such problems (welfare reform leaps to mind), the decline of wages will probably have to get worse before everyone can agree on a viable strategy for reversing it. What our standard of living will be when that happens is anybody's guess. •

FYI - Derek

BOOKS

THE DECLINING MIDDLE

BY JAMES LARDNER

ANDRZEJ CZECZOT

IN the early nineteen-eighties, a handful of young economists and economics-minded journalists began to worry about what they said was a pivotal change in the nation's course: away from the broad-based prosperity of the postwar years (when it had been widely assumed that the middle class would someday "absorb the poor") and toward a Third World-like division of wealth and income. In "The Deindustrialization of America," published in 1982, Bennett Harrison and Barry Bluestone, then of the Massachusetts Institute of Technology and Boston College, respectively, argued that American companies had reacted to the adversities of the seventies in ways that boded ill for Americans in general—by closing plants, cutting capital investment, moving jobs overseas, and shifting resources from manufacturing to finance and services. The effect of these policies was to preserve and, in some cases, enhance profits, but at the cost, according to Harrison and Bluestone, of a new disconnection between corporate profitability and national economic health. What was implicit in their analysis became explicit in a 1983 *Atlantic* article by the journalist Robert Kuttner, who pointed to an "increasing concentration of jobs at the extremes of the country's range of earnings," and asserted that "the country's future as a middle-class society is in jeopardy."

The economics profession as a whole treated these warnings with disdain. At the conservative Heritage Foundation, the liberal Brookings Institution, and points in between, the declining-middle theorists were dismissed as naïve ideologues who had been listening to too many stories of steelworkers turned hamburger-flippers and, in their ignorance of history, didn't understand that such dislocations were mere footnotes in the long march toward higher productivity and greater opportunity. "There is only one problem with this trend," Robert J. Samuelson condescendingly observed in the *National Journal*. "It doesn't exist."

The declining-middle theorists were faulted for, among other methodological slipups, overextrapolating from a stretch of years that encompassed an oil-price shock and a recession; ignoring the possible mitigating effects of taxes and transfer payments; and making a facile distinction between manufacturing and services, and the supposed virtues of the former and vices of the latter. On one level, the indictment was completely valid, for they were guilty of trying to understand something that was not yet statistically clear. That being the case, though, it is remarkable how well they did understand—or, at any rate, how well their understanding comports with the firmer impressions and the less disputed data of the present day.

Inequality, it is now agreed, was growing, and it was doing so independently of any recession. Between 1977 and 1989, the pretax income of the highest-earning one per cent of American households rose from three hundred and fifteen thousand dollars to five hundred and sixty thousand dollars—an increase of seventy-seven per cent. Meanwhile, the proportion of full-time year-round workers with earnings at or below the poverty line, having declined from 21.2 per cent to 12.5 per cent between 1963 and 1970, and having hovered in the twelve-to-fourteen-per-cent range through the seventies, had risen to 18.9 per cent. These things added up to a phenomenon that transcended statistics: a story of wealthy Americans who were gaining faster than ever, and of middle-class Americans who felt poorer and more vulnerable than their parents—or, to put it another way, of middle-income Americans who didn't quite feel middle-class. Moreover, the declining-middle theorists had identified (and their critics were doing their best to obscure) a trend that threatened ideas about opportunity and social mobility in which the nation had a deep psychic investment.

What had been obvious to a lot of non-experts became acceptable to a broad swath of economists in the late eighties, when the profession began sifting through the statistical returns on what the Bush Administration's publicists dubbed the longest peacetime economic expansion in American history. How to explain the quirky fact that a great many poor and middle-class Americans weren't sharing in the merriment? One tempting theory—at first widely embraced by economists with and without federal-government connections—blamed a sudden swelling of the labor supply in the form of adult baby boomers and working mothers. In a series of low-key articles and a book, "Dollars and Dreams," which came out in 1987, the labor economist Frank Levy made a persuasive case that in fact wages had stopped growing in the early seventies and incomes had been getting more unequal since 1979. These trends, Levy argued, were more severe than a superficial reading of the statistical record indicated. The demographic side of the story as he read it was the way in which the shift toward smaller families and two-income households had allowed many Americans to maintain or increase their levels of consumption (and gain access to wonder products like VCRs and microwaves) despite falling wages and a new sense of economic fragility. These new living patterns, along with the unprecedented borrowing of the eighties, were "tricks" that created an illusion of continued prosperity. Levy added that Americans were running out of tricks.

Levy was describing, not prescribing, and he wrote in measured language of the kind that economists of all persuasions could relate to. Bluestone and Harrison's book "The Great U-Turn," which appeared in 1988, was, by contrast, a call for action. But along the way the authors carefully addressed and refuted a number of criticisms of the declining-middle idea, and their book, like Levy's, became a central point of reference in what was before long a rich body of literature—books and articles, scholarly and popular, by, among other authors, Barbara Ehrenreich, Lester Thurow, Robert Reich, Juliet Schor, and William Julius Wilson—on income polarization, deindustrialization, the erosion of middle-class jobs, and the rippling effects of these problems across American society.

If Levy, Bluestone, and Harrison may be said to have provided the proof, the credit for getting the theory into the mass market belongs to Kevin Phillips' "The Politics of Rich and Poor," a 1990 book, whose main significance lay not in what it added to the argument (fairly little) but in the identity of its author. When the architect of what, in 1969, he had aptly dubbed "The Emerging Republican Majority" denounced the Reagan and Bush Administrations for lining the pockets of the wealthy and sending the economy into "capitalist overdrive," it was an early signal (six months before the Gulf War propelled George Bush's approval ratings to heights of putative unbeatability) that the winds were shifting. With Phillips' endorsement, the theory of middle-class decline had crossed over—from left to right, and from the campus to the shopping mall.

These days, it is hard to find an economist or a policymaker who does not express some anxiety about the American economy's ability to produce the sort of jobs on which middle-class security depends, although many, in moving from denial to acceptance, have dispensed with the intermediate step of acknowledging that their views have changed. As a social and economic phenomenon, income polarization has meant a great deal of hardship for a great many people. As an intellectual one, it's that rare clear case—a comfort to every academic or social critic who has ever suffered from feelings of marginality—of a fringe theory that has won over the experts and worked its way into the thinking of society at large.

"The Politics of Rich and Poor" was an oddity: a best-seller about economics. Still, Kevin Phillips' readership was tiny next to the audience reached in 1992 by a man who deserves to be called the great popularizer of middle-class decline. Bluestone, Harrison, and Kuttner were part of a circle of economic thinkers which included Reich, Thurow, Laura Tyson, and Derek Shearer; through the vehicle of the Economic Policy Institute (founded by Reich, Thurow, and Kuttner, among others), and through Reich's personal ties to Bill Clinton, the insights and ideas of these people formed a conspicuously large part of the Governor of Arkansas's economics education, and they had a profound effect on his campaign for President. At times, it is true, Clinton treated the middle-class issue simply as a stick to beat his less sensitive adversaries with, but it was clear that he had actually read and absorbed much of the literature. To follow his speeches and question-and-answer sessions was, in effect, to watch a long televised seminar on inequality and its roots and remedies—a seminar that is now continuing in the form of debate over the Clinton Administration's economic program.

That program, with its emphasis on investment in children, infrastructure, worker training, and advanced technologies, is the clearest evidence of the attention that Clinton and his advisers have paid to the declining-middle literature. But its influence can also be seen in more subtle ways. As a candidate, and as President, Clinton has refused to lay the blame for the sorry state of the economy entirely on the former White House management; in that omission, he implicitly acknowledges one of the consistent themes of the declining-middle theorists—that the most worrisome trends in our economy, however much they may have been exacerbated by the Reagan and Bush Administrations, predated them, and were not fundamentally government's doing to begin with. In its personnel decisions, too, the new Administration has broken with custom: the Brookings Institution—principal supplier of economists to every Democratic President in memory—has been all but ignored. In effect, the economics establishment has been cast into policymaking oblivion as punishment for its sunny reading of the eighties' record—for the crime of failing to see the forest for the trees, and ridiculing those who did.

KATHERINE NEWMAN, who has written two books on the perils of being a middle-class American in the late twentieth century, is an anthropologist. "Falling from Grace," which came out in 1988, was based on interviews with people who had lost highly paid blue- and white-collar jobs during the great industrial contraction of the late seventies and early eighties; Newman was writing about a societal failure, which, she pointed out, was often experienced as individual failure. In her latest book, "Declining Fortunes: The Withering of the American Dream" (Basic Books; $23), she is writing about Americans whose disappointments stem not from a sudden blow to pride and pocketbook but from the slow discovery that they will never be able to replicate the middle-class comfort of their childhoods, to say nothing of grander aspirations. Her subjects are baby boomers—men and women who experienced the economic tumult of the seventies and eighties as young adults. This is not unfamiliar subject matter, but in Newman's telling the consequences of "postindustrial decline" range well beyond the usual, quantifiable difficulties. She writes, for example, about retired grandparents separated from their grandchildren by a housing market that excludes many baby boomers from the communities where they grew up, and about not so young couples plunged into the brave new world of fertility-boosting technologies by their decision to give priority to career considerations in their prime childbearing years. The "unseen hands" of the economy reach into decisions about "when to marry, when to have children, where to live, how easily we can remain close to our extended families, whether we will be able to enjoy our sunset years or will have to fret over every dime," Newman writes. "And on all of these counts, the largest living generation of Americans is doing worse, enjoying less of the good life" than its parents.

"Declining Fortunes" is based on interviews with members of some sixty families that settled after the war in a newly suburbanized New Jersey town, to which the author has given the pseudonym Pleasanton. She describes it as "typical," but its typicality has come to include a severe class schism between the older residents, who ran the gamut of middle-class occupations, and the younger ones, who, what with a steep rise in property values, tend to be "very highly paid professionals." Few children of the postwar settlers still live within easy visiting range.

In Newman's inventory of the forces that made Pleasanton possible she makes a proper fuss over the Works Progress Administration (which built roads joining cities and developable farmland), the G.I. Bill, and the Federal Home Loan program, and she is clear-eyed about the "real-estate madness" that allowed suburbia's settlers to get rich "by sitting tight and doing almost nothing"—the same madness that later accelerated the dispersal of their children. Because Americans are at least as strongly disinclined to credit the structural causes of success as of failure, however, she observes that "the hand of government—the country's national investment in this new middle class—is subtracted from the moral tales" that the postwar generation tells. In their economic autobiographies, the story is one of "depression deprivation, wartime sacrifice, and struggling married couples who never went out to dinner or bought new cars."

Newman presents the economic lives of these postwar parents as a sort of fairy tale with only one blot: the troubles of their grown-up children. Of course, this is too simple: she skips over some large social problems that reared their heads long before the first hints of postindustrial decline—sterile suburbs, juvenile delinquency, and the alienation of breadwinners from their children, to name a few. (A recent book that richly addresses these issues, and also the ones that concern Newman, is Donald Katz's "Home Fires"—a history of a single suburban family from the war to the present.) Still, there is essential truth in Newman's point that the postwar parents "staked much of their own sense of success on the lives of their children" and "things did not go according to plan." The boomers "are in trouble," she writes. "Many are discovering what it means to go backward. This tangled reality has become a problem that everyone—boomer and postwar parent alike—must explain."

If Newman occasionally oversteps, equally often she arrives at the sort of eye-opening generalizations that are the social sciences' reason for being. The postwar parents, she writes, make morality tales of their children's lives, just as they do of their own. Reluctant to see their sons and daughters as victims of impersonal economic forces, they "cannot help but think that the next generation is seriously flawed." They may understand, on some level, that home ownership has become a wispy goal for a great many baby boomers—hardly real enough to plan for—but they can't help suspecting that the kids would be able to muster a down payment if only they didn't eat out so much. Of course, there is some rough justice in their criticism: the boomers would be better off, as a generation, if they had saved and invested more, and borrowed less. The frugal habits of their elders did help bring about the postwar boom, but the boom, in turn, eroded the habits. Many of the boomers, having absorbed their parents' homilies, harbor similar criticisms of themselves and their peers, and—the final wrinkle in this complex pattern of intergenerational judging—the parents, insofar as they blame their children, also blame themselves for the way they raised them.

Sympathy is Newman's only policy recommendation. The boomers, she says, deserve better than to be linked in the public mind with the cold acquisitiveness of yuppies, who "never constituted more than a small fraction of the boomer population"; they are entitled to "some recognition of the price they have had to pay for maturing in the wrong place at the wrong time." If her book has value for the men and women currently at work in Washington plotting the nation's economic renewal, it may lie in her reminder that the country's woes result not simply from our present weakness but from our former strength. Our decline has a psychological as well as an economic dimension: it's a matter of people who were raised for one set of conditions being presented with another.

VICE-PRESIDENT AL GORE, in a speech earlier this year, invited the American automobile industry to dream of becoming "dominant" again. The Vice-President, like the President, is a baby boomer. When people of their generation think of good times, they instinctively imagine a return to America's postwar glory, but such a picture may be a setup for fresh disappointment. A more realistic national objective for now might be a secure footing in the First World; the United States could do worse than learn to be just another advanced industrial nation, if that status brought such blessings as universal health care, long vacations, and decent jobs for people without special advantages—things that Western Europe and Japan take for granted and we now conspicuously lack.

How might this objective be achieved? For Bluestone, Harrison, and others on the left, who tend to see the inequality trend as a result of shortsighted decisions made by corporate managers with too much power, the remedy is an "industrial policy"-style program of incentives, regulation, and public investment intended to encourage longer-term thinking. The political obstacles facing such proposals are powerfully illustrated by the success of the Senate Republicans in checking the Administration's modest (by just about everyone's assessment) "stimulus package." Beyond the anti-government argument that has united the Republicans, however, lies another, perhaps more telling criticism of industrial policy: that even if it helped make the economy more efficient and competitive, it might not reverse (and might even accelerate) the trend toward inequality, because, it is said, we are experiencing nothing less than the rise of an Information Age meritocracy—the sort of deep, long-term trend that is beyond any society's capacity to greatly alter.

One of the more cogent presentations of this argument is to be found in Mickey Kaus's "The End of Equality" (Basic Books; $25), which appeared—uncoincidentally—in the thick of the Presidential race. Kaus, a journalist and social critic based at *The New Republic*, was sending a policy memo to the Democratic Party on the eve of what he uneasily hoped would be its return to power. The United States, he argued, was rapidly becoming the society that "the guidance counselors warned us about," in which people without college degrees would be "sunk," and small differences in skill and talent would acquire profound economic importance.

By and large, the apostles of the meritocracy theory have taken a rather callous view of income inequality. Kaus, by contrast, musters a great deal of indignation at the high-living attitudes and escapist tendencies of the new economic élite, and at a vicarious middle-class snobbery that takes the form of "fascination, respect, envy, and pathetic attempts at imitation." He accepts the private sector's reward structure as largely inevitable; yet, at the same time, he wants to do something about it. His remedy (drawing on the ideas of the political philosopher Michael Walzer, who has tried to identify some realms of life where money ought not to rule) is the creation of a spruced-up and expanded "public sphere" of parks, libraries, schools, medical facilities, and communal places and spaces of all kinds where people of all incomes and social standings can meet with their heads held high. Kaus would leave the employment and pay arrangements of the private sector alone but use this public sphere to "block" the transmission of income differences into pervasive class differences.

Kaus is an ornery writer who seems incapable of presenting an idea except in the framework of a quarrel with its purported enemies. In this book, they consist of a group of people he identifies as "money liberals"—a faction that may exist more in his mind than anywhere else. And there is something very strange in the juxtaposition of his powerful summons to improve the commons, on the one hand, and his singularly passive attitude toward the private sector's personnel practices, on the other. You can't help wondering how a nation could possibly strike such a strong blow for equality in one sphere while calmly tolerating ever greater inequality in the other. Nevertheless, in focussing on the increasingly frayed quality of life in the public sphere Kaus gets at something real, important, and neglected. The United States has become a place where your neighborhood video store is still open at 10 P.M., while the library is closed at midday; where an advertising agency owns more computers and fax machines than it knows what to do with, while teachers have to wait in line to use a school's one functioning copying machine. A national commitment to closing this private-public gap would have the large incidental benefit of creating new areas of fruitful employment for many of the people whom the private sector now claims to have no use for.

As a genre, the what-ails-America book frequently suffers from last-chapter problems: when writers turn from analysis to solution, credibility erodes. Kaus may have defined the inequality problem too narrowly, but he has written a prescription that is well matched to his diagnosis—something that cannot yet be said for the declining-middle theorists, or for the Clinton Administration, however bold its proposals may appear in the context of recent American politics. As congressional Republicans have been tireless in pointing out, the key decisions about jobs and incomes are made, ultimately, by private employers; if American business believes in a manager-and-drone workplace, it tends to follow that the United States will be a manager-and-drone society. For all the debate about a return to Big Government, the Administration is scarcely more eager to interfere in workplace decisions than are the Republican senators. As a candidate, Clinton spoke of requiring American businesses to commit one and a half per cent of their profits to worker training; since the election, this mild-sounding proposal has been scaled back from a regulation to an advisory guideline. Perhaps it is foolhardy for government to try to mandate such things, but it is not yet clear how, short of mandates, Washington can effect the sort of profound structural changes that the Administration itself seems to see the need for.

KEVIN PHILLIPS takes the occasion of the preface to his latest book, "Boiling Point: Republicans, Democrats, and the Decline of Middle-Class Prosperity" (Random House; $23), to tick off a long list of important people (including Bill Clinton, Mario Cuomo, Lloyd Bentsen, Dick Gephardt, Tom Harkin, Douglas Wilder, Pat Buchanan, Jerry Brown, and Ross Perot) who were influenced by his last book. He is less generous with the names of people who may have influenced him: Kuttner and Levy are mentioned in passing, Bluestone and Harrison not at all. Like "The Politics of Rich and Poor," however, "Boiling Point" is largely a synthesis of observations and ideas that originated with others, supplemented by anecdotes drawn from the news (a powerful clippings file is clearly at work) and by angry tales of politicians fiddling while the electoral base burns. Phillips seems to have written this book mainly in order to bring his excoriation of the Republican Party leadership up to date. But at intervals he broadens his focus from partisan follies to societal ones. The United States in the eighties, he says, was not only repeating errors out of its own past—the free-market heydays of the twenties and of the eighteen-seventies and eighties—but falling into a dangerous pattern common to nations in the aftermath of great bursts of prosperity.

Here his springboard is Paul Kennedy's "The Rise and Fall of the Great Powers," published in 1987, which compares the United States with sixteenth-century Spain, seventeenth-century Holland, and nineteenth-century England. For Kennedy, the critical mistake common to all these societies is "imperial overstretch." With uncharacteristic understatement, Phillips suggests that "the vital importance of the zenith and then erosion of the middle class . . . deserves more attention." In each case, he writes, an era of growth founded on an expanding middle class, a manufacturing economy, and entrepreneurship yielded to growing inequality and what he calls "financialization"—dominance of the economy by "speculators, rentiers and other passive investors who lived off capital, not enterprise."

Terms like "middle class" and "inequality" do not travel well from century to century; nonetheless, Phillips' parallels are striking. He quotes a Spaniard writing in the early seventeenth century that his society had become "an extreme contrast of rich and poor," and bemoaning the absence of "people of the middling sort, whom neither wealth nor poverty prevents from pursuing the rightful kind of business enjoined by natural law." Some years later, a visitor to Holland deplored the splendor of the country houses being built by stockbrokers and such: "The worst thing is not the building and immense expense of maintaining these fairy-tale palaces, or rather bottomless pits, it is that the distraction and negligence occasioned by this luxury often causes prejudice to business and trade." In 1778, the Dutch newspaper *De Borger* warned its readers that Holland would "shortly consist of little more than rentiers and beggars—the two kinds of people who are the least useful to the country."

In these passages Phillips transcends the political junkie's tone that prevails elsewhere, and presents an analysis that is almost Tocquevillean in its sweep. Nations rise, he seems to say, by arousing the energy and creativity of a wide spectrum of people—by developing a confident, creative, growing middle class. When the glow of prosperity fades in one place and brightens in another (in Phillips' narrative we see the light moving from Spain to Holland, from Holland to Britain, and from Britain to the United States; he might have included its recent shift from the United States to Japan and the Pacific Rim), what is really happening is the discovery, by each nation in its turn, of some new formula for mobilizing a larger and more dynamic middle class than the world has yet seen.

Phillips likes to deny that he has "moved left." It is society, not he, that has changed, he maintains; and in his odd self-appointed role as political ombudsman for "middle America"—judger of leaders and would-be leaders according to the single criterion of their sensitivity to middle-class interests and perceptions—he is recognizably the same man who laid out the strategy with which Richard Nixon clobbered George McGovern. And yet "Boiling Point" seems to echo a conviction basic to the writing of Harrison, Bluestone, and Kuttner, among others who have come at the inequality question from the other end of the spectrum: that polarization, far from reflecting the emergence of a new meritocracy, is a choice made by powerful elements in society for their own immediate advantage. If he is right, it might be possible for an aroused nation to resist the trend, although, of course, there could be any number of wrongheaded ways of going about it.

Phillips' concern is politics rather than policy. When it comes to solutions, he is content to predict—and, in his present mood, to welcome—a return of activist government. If you are worried about the tendencies he describes, there is some comfort to be had in remembering the ebb and flow of conservatism and activism—until you remember the other historical cycle he writes about, the one involving nations. Phillips, for his part, can't seem to make up his mind about the prospects for change on this deeper level. The process of decline, he writes, "has an air of inevitability"; on the other hand, the United States is not a "relatively small maritime power" like Holland or England but a country with an abundance of land and resources and a vast domestic market. He might also have mentioned, as an asset of indeterminate weight, the literature of which his own two recent books form a small part. If, armed with these works, Americans do not succeed in engineering an economic revival, we can look forward to being remembered as, of all the nations that have prospered and declined, the one that has done so in the highest state of self-awareness. ♦

THE WHITE HOUSE
WASHINGTON

DATE: 2/23

TO: Phil Lader

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

I have no strong feelings on this. Your call.

c.c. Veronica Biggins

February 7, 1994

MEMORANDUM FOR JOHN D. PODESTA

FROM: **TIM SAUNDERS**
Deputy Executive Clerk

SUBJECT: **Special Assistant for Consumer Affairs**

The Clerk's Office has been posed the question from Gary Christopherson, Associate Director of Presidential Personnel, as to **whether Poly B. Baca, Director of the Office of Consumer Affairs (appointed on 1/4/94), may use the title of Special Assistant to the President.** The appointment papers and the White House press release for Ms. Baca are attached (I have also attached a history of Consumer Affairs Advisers to the President along with the Clerk's Office Authority Sheet for the Director of the Office of Consumer Affairs)

Executive Order 11702 of 1/25/73, transferred from the Executive Office of the President to the Department of Health, Education, and Welfare (now H.H.S.) the Office of Consumer Affairs and stated further that "the Director of the Office of Consumer Affairs shall continue as the Special Assistant to the President for Consumer Affairs."

However, we note that the last person appointed as Special Assistant to the President for Consumer Affairs was Esther Peterson, appointed by President Carter. Under President Reagan, Virginia Knauer was appointed as Special Assistant to the President for Public Liaison and Director of the Office of Consumer Affairs. On 5/31/83, President Reagan, however, sent her a letter thanking her for her services as Special Assistant to the President for Public Liaison, and designated her **Special Adviser to the President for Consumer Affairs.**

President Bush continued this practice when he appointed Bonnie Guiton, as Director of the Office of Consumer Affairs. Her White House Press announcement on 4/25/89, stated that "in (this) capacity she will be the principal adviser to the President on consumer issues." (She was <u>not</u> issued a commission as Special Adviser to the President for Consumer Affairs.) When Ann Windham Wallace replaced Ms. Guiton on 11/28/90, the White House press release did not, however, mention that she would serve as principal adviser to the President on consumer affairs.

Finally, we note that several Directors of the Office of Consumer Affairs have been designated as Chairperson of the Consumer Affairs Council, established by E.O. 12160 of 9/26/79, by President Carter. Namely, Esther Peterson on 9/26/79, by President Carter; Virginia Knauer, on 6/24/81, by President Reagan; and Ann Windham Wallace, on 2/12/91, by President Bush. **Although an ex officio member, Ms. Baca has not been named to Chair the Council.**

Please advise.

HISTORY OF "CONSUMER AFFAIRS ADVISERS" TO THE PRESIDENT

On January 3, 1964, President Johnson issued Executive Order 11136, as amended by E.O. 11349 of 5/1/67, establishing the President's Committee on Consumer Interests and the Consumer Advisory Council. In a statement at the time, the President said he was taking this action to "assure that the voice of the consumer will be 'loud, clear, uncompromising, and effective' in the highest councils of the Federal Government." And for the first time in history, the American consumer's interest will be directly represented in the White House. He also said he would look to the Committee to give new meaning to consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard. (NOTE: a fifth item was added to the "consumer bill of rights" at a later date -- the right to consumer education.)

JOHNSON

PETERSON, Esther, of Virginia -- commissioned on 1/3/64, as Special Assistant to the President of the United States for Consumer Affairs. The President also on 1/3/64, established the President's Committee on Consumer Interests with Mrs. Peterson as its Chairman. At the time Mrs. Peterson was serving as an Assistant Secretary of Labor. The President asked her to remain in this post while serving as Special Assistant to the President for Consumer Affairs. She remained on Labor's payroll.

On 3/4/67, the President announced that Mrs. Peterson was returning to the Department of Labor to devote full time to her post as Assistant Secretary, and that she would be succeeded by Betty Furness.

FURNESS, Betty, of New York -- commissioned on 5/1/67 as Special Assistant to the President of the United States for Consumer Affairs, on the White House payroll as a full-time employee.

Betty Furness resigned on 1/6/69, effective 1/20/19; accepted on 1/13/69.

NIXON

KNAUER, Virginia H., of Pennsylvania -- commissioned on 4/15/69, as Special Assistant to the President of the United States for Consumer Affairs, and was sworn in at a ceremony attended by the President in the Rose Garden on 4/19/69. She was on the White House payroll as a full-time employee.

On 2/24/71, the President signed Executive Order 11583, which established the Office of Consumer Affairs in the Executive Office of the President to be headed by a Director. On 7/21/71, Virginia H. Knauer was appointed as Director of the Office of Consumer Affairs. As its Director she also served as Executive Secretary of the Consumer Advisory Council. (NOTE: E.O. 11583 superseded E.O.s 11136 of 1/3/64 and 11349 of 5/1/67. Executive Order 11702 of 1/25/73, transferred the Office of Consumer Affairs from the EXOP to the Department of Health and Human Services, but stated that the "Director of the Office of Consumer Affairs shall continue as the Special Assistant to the President for Consumer Affairs.)

KNAUER, Virginia H., of Pennsylvania -- commissioned on 2/5/73, as Special Assistant to the President of the United States, on the White House payroll as a full-time employee. Her area of consumer affairs and salary remained the same.

(NOTE: After President Nixon was elected for a second term, all appointees were asked to submit pro forma resignations so that the government could be reorganized and restructured. Mrs. Knauer was asked to stay on in the second term as Special Assistant to the President "in the area of consumer affairs." (See Vol. 9, No. 5, p. 121 of the Weekly Compilation of Presidential Documents.)

FORD

KNAUER, Virginia H., of Pennsylvania -- commissioned on 12/18/74 as Special Assistant to the President of the United States for Consumer Affairs, as a full-time White House employee.

Mrs. Knauer resigned on 1/14/77 as Special Assistant to the President for Consumer Affairs and Director of the Office of Consumer Affairs, effective 1/20/77; accepted 1/18/77, effective 1/20/77.

CARTER

PETERSON, Esther, of the District of Columbia -- on 4/4/77, the President announced the appointment of Mrs. Peterson to be Special Assistant to the President for Consumer Affairs, however, she received no commission of appointment for this position nor was she on the White House payroll at this time.

On 8/12/78, Mrs. Peterson was commissioned as Director of the Office of Consumer Affairs. She resigned 1/5/81, effective 1/20/81.

On 9/26/79, Mrs. Peterson was designated as Chairperson of the Consumer Affairs Council, established by E.O. 12160 of 9/26/79.

On 1/8/81, Mrs. Peterson was issued a commission as Special Assistant to the President of the United States dated 11/25/79 -- the position announced on 4/4/77. (It should be noted that the officers of the Carter White House staff did not receive commissions until the end of the Administration.) White House personnel records indicate Mrs. Peterson was on the White House payroll only from 11/25/79 until 1/18/81.

REAGAN

KNAUER, Virginia H., of the District of Columbia -- commissioned on 4/21/81 as Special Assistant to the President for Public Liaison, as a full-time White House employee. According to the announcement by the President of 3/17/81, Mrs. Knauer would have responsibilities "for consumers, aging, health care, and the disabled." (See Public Papers of the Presidents - Administration of Ronald Reagan, 1981 p. 313.)

On 6/24/81, Mrs. Knauer was commissioned as Director of the Office of Consumer Affairs and designated as Chairperson of the Consumer Affairs Council.

On 5/31/83, Mrs. Knauer received a letter from the President thanking her for her services as Special Assistant to the President for Public Liaison, and designating her Special Adviser to the President for Consumer Affairs, effective 5/31/83. She was transferred to the Department of Health and Human Services' payroll on 6/18/83.

Mrs. Knauer resigned as "Special Adviser for Consumer Affairs and Director of the Office of Consumer Affairs" on 11/3/81, no effective date mentioned; accepted on 1/19/89, effective 12/31/88.

BUSH

GUITON, Bonnie, of Virginia -- commissioned on 6/20/89, as Director of the Office of Consumer Affairs. In a press release of 4/25/89, announcing this appointment, the President stated "in (this) capacity she will be the principal adviser to the President on consumer issues." (She was not issued a commission as Special Adviser to the President for Consumer Affairs.)

Ms. Guiton resigned on 8/8/90, as "Special Adviser for Consumer Affairs and Director of the U.S. Office of Consumer Affairs," effective 9/14/90; accepted on 9/5/90 as "Director of the Office of Consumer Affairs," effective 9/14/90.

WALLACE, Ann Windham, of Texas -- commissioned on 11/28/90, as Director of the Office of Consumer Affairs. (NOTE: The press release announcing the appointment made no mention that she would serve as principal adviser to the President on consumer affairs, nor did she use the title of Special Adviser to the President for Consumer Affairs as Guiton did.) On 2/12/91, she was designated as Chairperson of the Consumer Affairs Council.

CLINTON

BACA, Polly B., of Colorado -- commissioned 1/4/94, as Director of the Office of Consumer Affairs. NOTE: The press release announcing the appointment simply stated that Baca would be:

> Director . . . of the Department of Health and Human Service's Office of Consumer Affairs. The Office of Consumer Affairs is the primary agency in the federal government for consumer affairs, and has responsibility to both the White House and the Department of Health and Human Services on this issue.

It made no mention that she would serve as principal adviser to the President on consumer affairs or special assistant.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

Memorandum for the President

From: Bruce Lindsey

Date: December 20, 1993

Subject: **Appointment of Polly B. Baca and Paul Steven Miller, Office of Consumer Affairs, Department of Health and Human Services**

Attached for your signature are documents appointing [redacted] Baca as the **Director, Office of Consumer Affairs** and Paul Steven Miller as the Deputy Director, Office of Consumer Affairs [redacted] **Department of Health and Human Services**

The following information is necessary for the appointment process:

Name as to appear on commission: **Polly B. Baca**
Vice **Colorado**
Term

Name as to appear on commission: **Paul Steven Miller**
Vice **California**
Term

Attachments

Announced: 12/21/93
Appointed: 1/4/94

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE LINDSEY, Director of Presidential Personnel

DATE: September 16, 1993

RE: MARY ELLEN WITHROW FOR TREASURER OF THE UNITED STATES
DEPARTMENT OF THE TREASURY (PAS)
POLLY BACA FOR DIRECTOR, OFFICE OF CONSUMER AFFAIRS,
WHITE HOUSE AND DEPARTMENT OF HEALTH AND
HUMAN SERVICES (PA)

I. BACKGROUND - TREASURER OF THE UNITED STATES

The Treasurer of the United States directly supervises the Directors of the Bureau of the Mint (Mint), the Bureau of Engraving and Printing (BEP), and the Deputy National Director, Savings Bond Division (SBD) and serves as the National Director, SBD. The primary mission of the Mint is to produce an adequate volume of circulating coinage to conduct the nation's trade and commerce. BEP designs, prints, and finishes a wide variety of security products ranging from Federal Reserve Notes to stamps to Treasury securities. SBD promotes the sale and retention of U.S. Savings Bonds. Mint and BEP are large-scale manufacturing operations with significant numbers of "blue collar" employees while SBD staff mainly have promotional and sales skills.

The Treasurer must possess management skills, public relations, and sales and promotional skills. The appointee should have the ability to effectively communicate with a diverse clientele ranging from executives of Fortune 500 companies and major banking and financial industry executives, to blue collar employees located in demographically and geographically diverse locations.

II. DISCUSSION - MARY ELLEN WITHROW FOR TREASURER OF THE U.S.

Since taking office as Ohio State Treasurer in 1983, Mary Ellen Withrow has earned a record $2 billion in investment income for the State. She has created a variety of plans to improve Ohio's economy and strengthened the state's business environment. Re-elected Treasurer in 1986 and again in 1990, Ms. Withrow received the Donald L. Scantlebury Memorial Award in 1992. This award is given by the federal government's Joint Financial Management Improvement Program which recognizes financial excellence and improvement in government. She is the immediate Past President of the National Association of State Treasurers and is also the Past President of the National Association of State Auditors, Comptrollers and Treasurers. Ms. Withrow began her career in 1969 as the first woman elected to the Elgin Local School Board in Marion County, Ohio. She was elected Marion County Treasurer in 1976 and 1980.

Ms. Withrow is an Executive Committee member of the Democratic National Committee, a member of the board of directors of Women Executives in State Government and an inductee into the Ohio Women's Hall of Fame and the recipient of a Women Executives in State Government fellowship to Harvard University.

III. RECOMMENDATION

With respect to the Treasurer of the United States, we recommend the following appointment:

MARY ELLEN WITHROW, Democrat, Ohio

Approve ✓ ____________ Disapprove ____________

IV. BACKGROUND - THE OFFICE OF CONSUMER AFFAIRS

The Office of Consumer Affairs is "located administratively in DHHS but its Director reports to the President through the White House Chief of Staff, for policy and program direction." (please see memo dated August 27, 1993)

V. DISCUSSION - POLLY BACA FOR DIRECTOR, OFFICE OF CONSUMER AFFAIRS

Polly Baca has thirty years of experience in planning, implementation and administration in the areas of public policy, program development, policy analysis, leadership training, public relations, media communications and governmental relations. She has successfully managed annual operating budgets and personnel. Polly was elected to two terms as a Colorado State Representative and two terms as a Colorado State Senator. She also served as Vice Chair of the Democratic National Committee.

Polly obviously has strong Democratic Party credentials. In addition to her role with the DNC, she served as Colorado Co-Chair of the Clinton/Gore campaign.

Alexis Herman and Jan Piercy have explored Baca's interest in the Consumer Affairs appointment. While previously most interested in becoming Treasurer, Baca has developed enthusiasm for the spokesperson potential of the Consumers Affairs role. She is coming for further discussions next week but has indicated a preliminary inclination to accept if this appointment is offered.

VI. RECOMMENDATION

With respect to the Director of the Office of [redacted] to the President for [redacted] we recommend the following appointment:

POLLY BACA, Democrat, Colorado

Approve____________________ Disapprove____________________

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release December 21, 1993

PRESIDENT NAMES TWO TO OFFICE OF CONSUMER AFFAIRS

President Clinton announced today that he will appoint [redacted] to be Director and Paul Steven Miller to be Deputy Director of the Department of Health and Human Service's Office of Consumer Affairs. [redacted]

"We have a responsibility to the American people to ensure that they are treated fairly in the consumer marketplace," said the President. "I am counting on Polly Baca and Paul Miller to run this important office, and to represent the needs of consumers throughout the federal government.

Polly B. Baca, a 12-year veteran of the Colorado State Legislature, comes to the Consumer Affairs Office from the Colorado Institute for Hispanic Education and Development, where she has served as Executive Director since 1989. She had previously been the President of Sierra Baca Systems, a management consulting firm, and Director and President of Bronze Publications, a public relations firm specializing in media communications. In addition, Baca was elected to the Colorado House of Representatives in 1974, and to the Senate in 1978. She was the first minority woman ever elected to the State Senate and the first hispanic woman ever to serve in the leadership of any state senate in the country. During the 1980s, Baca also served as a Vice Chair of the Democratic National Committee. She is a graduate of Colorado State University and pursued graduate studies both there and at the University of Colorado, Denver.

Paul Steven Miller has worked since January 1993 in the White House Office of Presidential Personnel as Director of Disability Outreach. He will continue to serve as an administration liaison to the disability community in his new capacity. Before coming to Washington, Miller was the Director of Litigation for the Western Law Center for Disability Rights in Los Angeles. He also taught disability civil rights law at Loyola Law School and UCLA Law School, and practiced with the Los Angeles law firm of Manatt, Phelps and Phillips. As a person with a disability, Miller has been an active leader in disability community issues, both in California and nationally. He is a graduate of the University of Pennsylvania and the Harvard Law School.

# # #

DIRECTOR OF THE OFFICE OF CONSUMER AFFAIRS

Department of
Health and Human Services

AUTHORITY: E.O. 11583, February 24, 1971
E.O. 11595, May 26, 1971
E.O. 11702, January 25, 1973 (transfer to the Department of Health, Education, and Welfare)
P.L. 96-88, Sec. 509, 93 Stat. 695, December 17, 1979 - effective May 4, 1980, pursuant to E.O. 12212 of May 2, 1980 (redesignated as the Department of Health and Human Services)

METHOD: Appointed by the President

NOTE: In the event of a vacancy in the office of Director or during the absence or incapacity of the Director, the Deputy Directors, in the order designated by the President, shall act as Director.

TERM: Pleasure of the President

SALARY: Initially determined by the President, now SES non-career determined by HHS.

NOTE: E.O. 11702, January 25, 1973, provides that the Director of the Office of Consumer Affairs shall continue as Special Assistant to the President for Consumer Affairs. However, note that by letter of 5/31/83, President Reagan designated Virginia H. Knauer, the Director of the Office of Consumer Affairs, to be a Special Adviser to the President for Consumer Affairs.

the employment service system is fulfilling the employment needs of veterans. The Secretary of Labor shall, from time to time, report to the President concerning his evaluation of the effectiveness of this order along with his recommendations for further action which the Secretary believes to be appropriate.

SEC. 4. Appropriate departments and agencies shall, in consultation with the Secretary of Labor, issue such amendments or additions to procurement rules and regulations as may be necessary to carry out the purposes of this order and Section 2012 of Title 38 of the United States Code. Except as otherwise provided by law, all executive departments and agencies are directed to cooperate with the Secretary of Labor, to furnish the Secretary of Labor with such information and assistance as he may require in the performance of his functions under this order, and to comply with rules, regulations, and orders of the Secretary.

SEC. 5. Executive Order No. 11598 of June 16, 1971, is hereby superseded.

RICHARD NIXON

THE WHITE HOUSE,
January 24, 1973.

Executive Order 11702 • January 25, 1973

Relative to the Executive Office of the President

Under and by virtue of the authority vested in me by section 301 of title 3 of the United States Code and as President of the United States of America, it is hereby ordered as follows:

SECTION 1. The Office of Consumer Affairs, established by Executive Order No. 11583 of February 24, 1971, as amended by Executive Order No. 11595 of May 26, 1971, together with its functions, is hereby transferred from the Executive Office of the President to the Department of Health, Education, and Welfare. The Director of the Office of Consumer Affairs shall continue as the Special Assistant to the President for Consumer Affairs.

SEC. 2. In view of the establishment of the Council on Economic Policy, the Cabinet Committee on Economic Policy, together with its functions, is hereby abolished and Executive Order No. 11453 of January 24, 1969, is hereby revoked.

RICHARD NIXON

THE WHITE HOUSE,
January 25, 1973.

Executive Order 11703 • February 7, 1973

Assigning Policy Development and Direction Functions With Respect to the Oil Import Control Program

By virtue of the authority vested in me by the Constitution and statutes of the United States, including section 301 of title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

SECTION 1. The Oil Policy Committee, as reconstituted by this order, is hereby continued.

SEC. 2. The Chairman of the Oil Policy Committee shall provide policy direction, coordination, and surveillance of the oil import control program established by Proclamation No. 3279 of March 10, 1959, as amended, including approval of regulations hereafter issued pursuant to such proclamation. He shall perform those functions after receiving the advice of the Oil Policy Committee and in accordance with guidance from the Assistant to the President with responsibility in the area of economic affairs.

SEC. 3. The Oil Policy Committee shall henceforth consist of the Deputy Secretary of the Treasury, as Chairman, and the Secretaries of State, Defense, the Interior, and Commerce, the Attorney General, and the Chairman of the Council of Economic Advisers, as members. The President may, from time to time, designate other officials to serve as members of the Committee. The Chairman may create subcommittees of the Committee to study and report to the Committee concerning specified subject matters.

SEC. 4. The Oil Policy Committee shall consult with and advise the Chairman on oil import policy, including the operation of the control program under Proclamation No. 3279, as amended, and on recommendations for changes in the program by the issuance of new proclamations with respect to it, or otherwise.

CONSUMER AFFAIRS COUNCIL

Independent

AUTHORITY: Executive Order 12160, September 26, 1979
ORDER, 6/24/81 (adds Dir., of the Office of Consumer Affairs, as a Member)

METHOD: Ex officio

MEMBERS: Shall consist of representatives of the following agencies and such other officers or employees of the U.S. as the President may designate:

Department of Agriculture
Department of Commerce
Department of Defense
Department of Energy
Department of Health and Human Services
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Director of the Office of Consumer Affa:

Each agency on the Council shall be represented by the head of the agency or by a senior-level official designated by the head of the agency.

CHAIRPERSON: The President shall designate the Chairperson

TERM: Pleasure of the President

SALARY: Without compensation

PURPOSE: Shall provide leadership and coordination to ensure that agency consumer programs are implemented effectively; and shall strive to maximize effort, promote efficiency and interagency cooperation, and to eliminate duplication and inconsistency among agency consumer programs.

John —

[redacted]

Another letter
that was sent to me
from the Dean of SMU —
See what you can do —
Debi Schyll

Ricki —

[redacted]

This would be.
Yours
John

[redacted]

February 18, 1994

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington D.C. 20500

Dear President Clinton:

For more than twenty years, the Edwin L. Cox School of Business at Southern Methodist University has provided the Dallas/Fort Worth business community with a forum for speakers who influence current business and political policies. This forum is known as the Management Briefing Series. I am writing to invite you to join us as a Management Briefing Speaker during the 1994 calendar year.

Our Management Briefings, sponsored by the Cox School of Business, have become a major event in the Dallas/ Fort Worth business community. Normally, we hold two to three such Management Briefings each year. The Briefings will include a luncheon held at a downtown hotel with an audience of approximately one thousand senior business and community leaders. Past speakers have included: former presidents George Bush and Gerald Ford; former high-ranking government officials James Baker, Donald Regan, Milton Friedman, William Seidman and Alan Greenspan; and outstanding business leaders such as Lee Iacocca.

Over one hundred companies representing a broad cross-section of major firms in the Metroplex regularly sponsor tables for their key executives and guests. Thus, this forum provides a direct contact to every senior corporate level throughout the area. SMU's involvement with the Dallas/Fort Worth business community is of unique and vital importance to both the corporate and university populations. The Management Briefing Series has proven to be a major public forum in the Metroplex for key addresses on economic issues and business or political policy issues.

I know that the Dallas/Fort Worth business community, along with our faculty and students, would benefit immensely from your

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expertise and insights into the current HealthCare reform package or global economic issues that face our nation and our world today.

We enthusiastically hope you accept our invitation and look forward to welcoming you to the Dallas/Fort Worth area.

Thank you for your time and consideration.

Sincerely,

David H. Blake

David H. Blake
Dean

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SOUTHERN METHODIST UNIVERSITY / DALLAS, TEXAS 75275-0333

THE WHITE HOUSE
WASHINGTON

DATE: 2/23/94

TO: MARK GEARAN

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

Robert J. Samuelson

THE PRESIDENT HAS SEEN
2/22/94 db

Here's Some Good News, America

A constant gripe about the press is that we have nothing good to say about anyone or anything. We revel in sleaze and scandal. We glory in human frailty. We specialize in character assassination. We enjoy natural disasters. Is it true? Of course. The news about the press is like everything else. It's bad and getting worse: our news standards, always low, are sinking lower. Well, America, here's an antidote. It's an unabashed good-news column.

If you're tired of mayhem and misery, this is for you. It's a dose of straight optimism. I have just received my latest edition of the Statistical Abstract of the United States. Published by the Census Bureau, it's full of intriguing facts about America: everything from the share of U.S. households with pets (37 percent have dogs) to the number of libraries (31,167). I have scoured it for underreported or underappreciated good news. Following are 10 trends you can actually smile about.

1. American industry, far from going out of business, is now producing more than ever.

In 1992 manufacturing output was 39 percent higher than in 1980 and 95 percent higher than in 1970. Things that were hardly made 20 years ago are now produced in massive amounts. In 1991, for example, U.S. factories shipped 10.2 million personal computers. But we need fewer people (18.2 million in 1992) than in 1970 (19.3 million) to make all these things. This greater efficiency is not an economic drag; it releases more Americans to supply other things we want—from software to health care.

Do we underplay real signs of progress? Of course.

2. The United States still leads the world in Nobel prizes.

Hey, it's no contest. Between 1976 and 1991, Americans won 63 of the 102 awards in chemistry, physics and medicine. The next closest countries, Britain and Germany, had nine each.

3. We are healthier and less accident prone than ever.

Since 1970 the death rate in auto accidents is down one-third; cars are safer, more people use seat belts. On-the-job deaths have dropped by more than one-quarter (from 14,000 to 10,000) since 1960, although the labor force has doubled. With cancer and AIDS as glaring exceptions, death rates from diseases are down; the decline for heart disease is 40 percent since 1970. Life expectancy is up. In 1991, it was 76 years; in 1970, it was 71 years.

4. One reason we're healthier is that we smoke less and take fewer drugs. Our diets have also improved.

The demise of smoking as a social institution is one of the great events of our era. In 1965, 42 percent of the over-18 population smoked; in 1991, 26 percent did. Casual drug use also is on the wane. Among 12- to 17-year-olds, marijuana use is down from 23 percent in 1979 to 13 percent in 1991. We're eating better. Compared with the late 1950s, we eat 11 percent more protein and 44 percent more Vitamin E per person. Meanwhile, cholesterol intake per person has declined 14 percent.

5. Consumer complaints against airlines are way down.

Airlines may be losing tons of money, but they must be doing something right. In 1987 passengers lodged nearly 41,000 complaints with the government. About half involved flight delays or cancellations. In 1992 complaints totaled only 5,600.

6. Most children still live with both natural parents—and the divorce rate may be stabilizing.

For all the talk of family breakdown, roughly seven of 10 children under 18 live with both parents. The rate is highest for whites (77 percent), lowest for blacks (36 percent) and in between for Hispanics (65 percent). The number of divorces has actually dropped slightly from the peak year, 1981 (1,213,000); in 1988 there were 1,167,000 divorces.

7. We've improved the environment and energy use enormously.

The air is a lot cleaner than it used to be. Since 1970, lead emissions are down 97 percent; particulates (soot, smoke) have dropped 61 percent and hydrocarbons 38 percent. The record in energy use, though not as good, is still impressive. Homes built in the late 1980s use nearly 30 percent less energy than those built in the 1950s. In 1991 cars got an average of 21.7 miles to a gallon of gasoline, up from 13.5 mpg in 1970. Population and economic growth have offset some efficiencies; still, total energy use in 1991 was only 4 percent higher than in 1978.

8. Foreign tourism here is booming.

Whatever's wrong with us, it isn't deterring foreigners. Since 1985, the number of overseas tourists has more than doubled, to 14.7 million, in 1991. Two fifths are from Europe; Japan sends more (2.9 million) than any other country.

9. We remain remarkably generous with our time and money.

About a fifth of adults do volunteer work. Of these, 37 percent work for churches and religious groups, while 15 percent work in schools. In 1991, we gave $125 billion to charities. Most ($103 billion) came from individuals. Americans now give more of their disposable income to charity than in 1970.

10. Our homes are getting bigger and better equipped.

In 1992, the typical new home had 1,920 square feet, up from 1,385 in 1970. Three-quarters had central air conditioning, compared with only one-third in 1970. Over the years, there's been a constant shift from smaller to larger houses.

The message from all this is not quite what you think. It might be that, amid all our national pessimism, we must be doing something right. It might be that the press, preoccupied with the latest social pathology or political scam, is missing deeper social trends that more directly affect most of us. It might even be that our much-maligned government actually succeeds once in a while (note the lower pollution and greater auto safety). The message might be all of these things; but it isn't.

The real point is that good news is boring. I mean, how much more of this can you stand? Do you really want to know that the share of public schools offering computers rose from 18 percent in 1981 to 98 percent in 1991? Hey, the Statistical Abstract is also crammed with lots of bad stuff. In 1991, there were 1.8 million reported cases of child abuse and neglect involving nearly 2.7 million children. Now, that's real news.

Cg Gergen B

S1

THE WHITE HOUSE
WASHINGTON

DATE: 2/23/94

TO: BRUCE REED

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

THE PRESIDENT HAS SEEN
2/22/94 db

To Carol etal - Interesting

BC

Welfare As We Need It

By Theda Skocpol and William Julius Wilson

President Clinton has eloquently renewed his promise to "end welfare as we know it." Now, as his aides hammer out legislation to keep that promise, he needs to insist on policies that truly further the widely shared values he laid out in his State of the Union Message: work and parental responsibility.

What it will take is clear. Jobs must be available to all adults who can work, and they must have wages, benefits and protections that are suitable for families. Policies must require and enable parents to devote time and money to the care of children. These things can be done without huge amounts of new public resources.

The Administration wants states to turn welfare offices into "transitional" centers for training and job placement. Since most poor men and women want to work, they will welcome this change. We urge the President to make the commitment to work ironclad by helping local governments create public jobs when private-sector jobs are lacking.

But in making the shift toward work rather than welfare, the Administration needs to make two fundamental breaks with past policies.

First, work should be defined to include parental time spent with children. The President's call for responsible parenthood cannot be realized with the policies his planners are contemplating, because they are based on an unrealistic and unfair premise — that impoverished single mothers should be required to do full-time wage-work rather than to combine part-time employment with care for children, as many more privileged American mothers still do.

Jobs for all, but flexible ones. And a payroll tax for child support.

Second, it would be a mistake to leave in place the unwieldy and inefficient state-by-state system of collecting child support from absent parents (mostly divorced or unwed fathers). "Deadbeat dads" owe $34 billion a year in uncollected child support. If this money were efficiently collected and delivered to custodial parents, the economic security of America's children would be vastly improved.

This is not a welfare issue so much as a matter of preventing poverty in the first place. One in two children will grow up at least part of the time in a single-parent family, and such families are likely to fall into poverty.

What we need is a national system of child support assurance that works automatically, and without the stigma attached to the current system. Both parents must be identified by their Social Security numbers at the birth of each child. Later, if a divorce occurs or if a parent is otherwise absent, then he (or more rarely, she) would be liable for a tax, depending on the number of children involved.

Child support would be collected like Social Security and other payroll taxes. If the noncustodial parent's income goes up, he automatically pays more; if it goes down, he pays less. No parent could move out of state to avoid such a national tax. Efficient child support enforcement would make it unattractive for men to father and abandon multiple families, so this system might well encourage stable marriages.

As with Social Security, there would be a minimum child support benefit if the absent parent's tax payment went down too far. It could be set at about the level of a half-time minimum-wage job.

This would be very different from welfare. A divorced or unwed mother could not live on the minimum benefit; she would have to work at least half time. If she chose to work more, she and her child would get ahead, because the minimum benefit would not be taken away.

But suppose the mother decided to spend part of each day with her children. This could be vital for a poor family in a tough neighborhood. After all, it is exactly such single mothers who most need time to visit school, meet with other parents in voluntary organizations or be at home when the child returns from school. Poor families and neighborhoods need both the discipline of work and the time to build social networks and cohesion.

Since its inception, the terrible flaw in the U.S. welfare system has been its failure to support efforts to *combine* employment and child-rearing. Back in the 1910's, "mothers' pensions" sought to keep impoverished mothers out of the wage labor force and entirely at home with their children (although they were never given enough money actually to live that way). It would be a shame, in the 1990's, to go in an equally unrealistic way to the opposite extreme, forcing poor mothers into full-time low-wage jobs. This is not the right ideal for public policy to uphold.

Part-time jobs combined with child support would also be less costly than finding full-time jobs for millions of current welfare recipients.

To be sure, the Administration is promoting measures to help poor families. A big step was taken last summer with the expansion of the earned-income tax credit. Wisely, the Administration now wants to pay this wage supplement throughout the year, so families can count on it as regular income. It also wants to expand child-care subsidies for working parents.

Health insurance is equally crucial. As a Chicago welfare mother who wants to "go out there and get a job" put it: "I don't like being on public aid right now. But without a medical card, what do I do when my kids get sick?" If the Clinton forces lose in Congress to proponents of the upper-middle-class-oriented Cooper plan, then many low-wage workers will be left uninsured and it will be hard for parents to move off welfare. For the sake of welfare reform as well as economic efficiency, the President's promise to veto any bill that falls short of universal coverage is wise.

Let's use this round of policy changes to say to all American fathers and mothers: "You must support your children through a combination of work and time spent with them." Government will help working families. If marriages fail, public policies will enforce and sustain responsibility for both parents — without pretending that single mothers can be expected to carry the burdens of two parents at once. □

Theda Skocpol, professor of sociology at Harvard, is author, most recently, of "Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States." William Julius Wilson, professor of sociology and public policy at the University of Chicago, is author of a forthcoming book on race and the new urban poverty.

THE NEW YORK TIMES, WEDNESDAY, FEBRUARY 9, 1994

THE WHITE HOUSE
WASHINGTON

DATE: 2/23/94

TO: MICHAEL WALDMAN
GENE SPERLING

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

Can you check on this?

POL: fin - worth checking on again next years

Editorials

Lines 38-44

THE PRESIDENT HAS SEEN
2/22/94 db

EXECUTIVE PAY: IT DOESN'T ADD UP

The figures for executive pay are simply astonishing. The average CEO in BUSINESS WEEK'S 43rd annual compensation survey pulled down a record \$3.8 million in 1992, up more than 56% from last year. To get into 1992's Top 10, a chief executive had to make more than \$22.8 million. For all the talk of boards of directors cracking down on excesses, for all the prodding of activist shareholders, for all the disclosure rules passed by the Securities & Exchange Commission, CEO pay continues to climb to ridiculous heights. Just how many tens of millions of dollars are needed to motivate CEOs to do their jobs properly?

Chief executives argue that it's unfair to lump stock-option gains, which result from cashing in options granted years ago, into one year's pay. While they appear luxurious, the gains are one-shot rewards for many years of work. Fair enough, especially in a year when executive pay rose in part because many CEOs rushed to exercise stock options in response to Clinton's promise to raise taxes.

But what about the dozens of CEOs who show up year after year on the best-paid list, perennial winners in the compensation game? Large stock-option gains are built into their annual packages. And don't ignore the effect of a rising market. The value of stock options climbs along with the company's stock price. So many CEOs can thank the luck of the market upturn, not their stewardship, for their good fortune.

The issue, of course, isn't simply the stratospheric numbers but the linkage of pay to performance. Many CEOs deliver great value to their shareholders. But many others fall short—very short. A few continue to take home huge sums while their company declines. More often, CEOs can point to a decent rise in return on equity, but the growth in their own pay far exceeds their company's performance.

What is most troubling is the disparity between CEO pay and what everyone else in the country earns for their work. At a time when the incomes of 90% of corporate employees are barely growing as work loads get heavier every day and job insecurity is a constant, these multimillion-dollar windfalls are more than unseemly. They are arrogant. They i[mply] that no one else but the CEO is responsible for the go[od] performance of the company—not the teams of workers, t[he] salespeople, the managers, or the support staff. It is insu[lt]ing to workers who are told they are critical members o[f a] team only to see one individual walk away with a dispropo[r]tionate share of the rewards.

The gap between the executive suite and the shop has w[id]ened to the point where the average American CEO mak[es] an incredible 157 times what a factory worker gets and [...] times what an engineer takes home. And that gap has be[en] getting progressively worse. Back in 1960, when U. S. e[co]nomic power was at its height, CEOs pulled down an av[er]age of \$190,000. That was only 41 times a factory worke[r's] average income and only 19 times what an engineer mad[e].

The disparity tears at the social fabric. It is unaccepta[ble] to the larger polity as CEOs configure themselves into a n[ew] monied elite. Chief executives earned 113 times what a sch[ool] teacher made last year. The gap in 1960 was just 38 tim[es]. That's just not right.

What can be done? There is now a disconnect between [pay] and performance in the corner office. Just granting me[ga] millions in stock options isn't the answer. The downside [risk] assumed by stockholders isn't shared by executives. Colg[ate-]Palmolive and AT&T have started setting triggers for st[ock-]option rewards at higher stock-price levels, giving CEOs a [tar]get to shoot for and ensuring that shareholders realize s[ome] gains before the CEO. Colgate just gave its chairman 400[,000] options that carry an exercise price of \$100.35 per share. [The] stock currently trades at about 60, creating a major in[cen]tive for performance. Other boards of directors are sin[ply] requiring their CEOs to buy large chunks of equity to f[orce] them to share stockholders' risks and rewards.

Washington is flirting with a tax-based plan to tie CEO [pay] to performance. If Corporate America doesn't show som[e re]straint on executive compensation, a populist wave may push politicians to take a crack at it.

THE LAST THING BUSINESS NEEDS NOW

For many U. S. corporations, it has been a remarkable year. While consumer demand remains tentative, corporate profits are unequivocally strong, productivity is undeniably up, and market share lost in the 1980s continues to be recouped. Who would have ever guessed that Chrysler Corp.'s biggest problem today would be meeting surging demand for its hot cars while Toyota Motor Corp. and Honda Motor Co. face bloated inventories and lost market share month after month?

So if American companies are doing so well, why do we care about the imminent demise of the investment-tax credit that the Clinton Administration has been proposing to help corporations buy equipment over the next few years? The ITC is not a great idea, but it was part of a deal the A[dmin]istration made that bumped the corporate tax rate up [from] 34% to 36% to generate \$31.2 billion in new revenues. [In re]turn corporations were promised \$29.5 billion in tax cr[edits].

It was supposed to be a wash, without much of a new [bur]den falling on companies. But without the ITC, all U. S. [cor]porations, large and small, now stand to be hit by a s[ignifi]cant tax increase just when they are beginning to exp[and] home and abroad. Dumping a new tax on companies [when] retail sales are weak and consumer confidence is down i[s sim]ply not a great idea.

So what should be done in Washington? Kill both t[he ITC] and the corporate tax increase. Pronto.

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Obscene Corporate Salaries

Representative Bernard Sanders, M.C.

Business Week has just issued its annual survey of corporate salaries. Although hardly a radical critic of corporate capitalism, even Business Week is forced to conclude that "The figures for exectuive pay are simply astonishing." The average CEO in a major American corporation earned $3.8 million last year.

Worse, as Business Week recognizes, "the gap between the executive suite and the shop floor continues to widen." During twelve years of Reaganomics, the typical American full-time workers had **no real growth** in weekly earnings. In the same twelve years the average compensation for the CEO of a large corporation skyrocketed from $625,000 to over $3.8 million dollars a year.

Things are getting worse, not better. Between 1991 and 1992 the weekly earnings of the typical full-time worker rose just 0.7 percent, to a point 3.2 percent below what they were in 1987. **Between 1991 and 1992 the average pay of a CEO of a large American corporation went up 56%.**

So the Reagan-Bush party goes on, the rich getting richer while working people see their standard of living decline.

Twenty years ago the United States led the world in the wages and benefits provided to workers. Today, we're in 12th place and declining. American corporate executives, however, are another matter. They are the highest paid in the world. In Japan, our closest economic rival, CEOs make 32 times as much as a rank-and-file employee. In the United States, according to Business Week, CEOs make 157 times as much as their employees.

Let me repeat that: American CEOs make 157 times as much as their employees. In 1980, they only made 42 times the pay of their employees. In twelve years, executive salaries have gone up almost four times more than workers' wages. While workers' pay has stagnated, executive compensation has soared.

What are these executives at the Fortune 500 companies being rewarded for? In the past two decades, the number of people employed by their companies has shrunk from 19 percent of the work force to less than 10 percent today.

While over 12 percent of our labor force -- over 16 million Americans -- are jobless or underemployed, corporate executives are getting the highest compensation in history. While 25 percent of our work force are now "contingent workers" -- that is, temporary, part-time, or on contract -- corporate executives are more financially secure than ever before.

While the nation endures a crisis in health care, many health care executives are making out like bandits. One-third of our people are either uninsured or underinsured, yet America's highest paid executive is Thomas E. Frist of the Hospital Corporation of America. His company, which runs hospitals, last year paid him $127 million in salary and benefits. Last year Leon C. Hirsch, the CEO of another health care corporation, U. S. Surgical, received over $62 million, while his vice president, Turi Josefsen, received $26 million. Is it any wonder the cost of health care is zooming upward?

The bad news I not likely to end soon unless the federal government does something. For instance, the 1993 compensation to Michael Eisner, CEO of Disney, will be in excess of $204 million. And if he exercises his stock options, Leon Hirsch of U.S. Surgical has another $61 million coming to him, in addition to the $62 million he hauled in this past year.

That is why I am working on legislation that would limit the amount of money corporate executives can get.

Crime

after trip to the DC
Jails & this we have
an opportunity to move
momentum for election to get back
on the right side of a Big
issue —

Bz.

THE PRESIDENT HAS SEEN
2/22/94 db

Hispanic leaders say surge in rate is creating a crisis

By Mimi Hall
USA TODAY

LOS ANGELES — Behind the rising numbers in teen births, one group had a huge effect on the trend: Hispanics.

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Between 1986 and 1991, while the teen birth rate increased 19% among whites and 13% among blacks, it rose a dramatic 34% among Hispanic teen-agers.

That sharp increase accounted for over half the total increase in teen childbearing, according to Child Trends Inc., a non-profit group that analyzes federal birth data.

Hispanic leaders say the soaring birth rate is creating a community-wide crisis that steals hope for a better life from an entire generation, many raised by immigrant parents who wanted more for their children.

In California, statistics show Hispanic teen-agers are less likely to finish high school than white teens, less likely to have jobs and more likely to live in poverty.

"It's a big barrier for advancement for the (Hispanic) community as a whole," says Elizabeth Ramirez of the Aspira Association, which focuses on education issues.

"These girls don't have the parenting skills. More than anything, they drop out of school. They don't have the skills to get a job ... so they're caught in the welfare cycle."

While the effect of teen-age pregnancy is clear, many are puzzled in this conservative and largely Catholic community about why so many teens are getting pregnant.

"It would be fair to assume that because of their Catholic faith, there would be a reluctance to use contraceptives," says the Rev. Gregory Coiro, spokesman for the Los Angeles Catholic Archdiocese. But "they shouldn't be getting pregnant at all if they followed the teaching of the church."

In Mexico and some South American countries, the teen birth rate always has been high — mainly because women marry younger and have babies right away.

But in this east Los Angeles community of immigrants, most of the pregnant teens are unmarried. And that, parents and experts say, is not supported by their families.

"There's great outrage. Parents come to classes and cry ... pound the table. They say they don't know what to do about their kids," says Alicia Procella, who runs pregnancy prevention classes for teens and parents.

Many Hispanic parents complain that their kids are being "Americanized" and are exposed to too much sex and violence on TV.

These anxious parents say they tell their children not to have premarital sex, says Melinda Cordero, who runs a health program for Hispanic women. But they don't talk about the reasons to wait or contraception.

"It's a cultural thing — that area is taboo," she says. "A lot of parents don't think their children need to know this yet."

Says Procella: "Most parents are just giving the message, 'Don't, don't, don't.' And kids think, 'My parents are telling me no, the church is telling me no, but my friends are telling me yes.'"

Before Charise Hussey had a baby three months ago, she says no one in her family talked to her about birth control, although many friends were getting pregnant.

"Our family's not really like that," says Hussey, 18, who lives with her parents and daughter. "People are more embarrassed."

But Hussey is lucky. Her family has formed a network around her, with her parents and her boyfriend's mother baby-sitting while she attends a local community college.

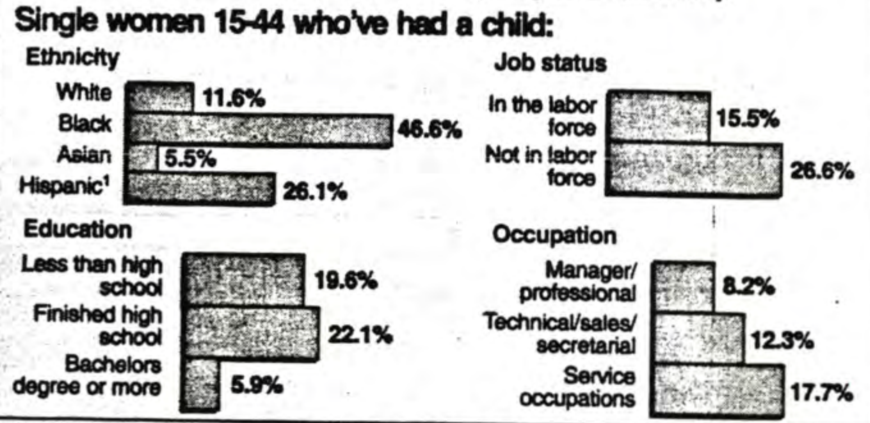
Other teens say they're just like other American teens: bombarded with messages about sex in TV and movies, but rarely talking about contraception or consequences.

For many friends, birth control "is too much of a hassle," says Michele Avalos, 18. Adds brother Dave, 13: "They don't think of what's going to happen in nine months. They just think of what's happening now."

▶ Cover story, 1A

Profile of unwed mothers

Out-of-wedlock childbearing is linked to socio-economic status. Unmarried women who don't work and those in low-paying occupations are most likely to have children. Unmarried women with a college degree are least likely.



Source: U.S. Census Bureau — 1 – Hispanics can be of any race — By Julie Stacey, USA TODAY

1 in 3 born out of wedlock

By Margaret L. Usdansky
USA TODAY

Soon, one in three babies born in the USA will have an unwed mother — an increase of about 60% in the last decade.

It's a trend that has some sounding the alarm, saying rising illegitimacy bodes ill for the national future.

Conservative writer Charles Murray, in a recent essay in *The Wall Street Journal*, notes that the nationwide illegitimacy rate now is higher "than the black illegitimacy rate in the early 1960s that motivated Daniel Patrick Moynihan to write his famous memorandum on the breakdown of the black family."

When television's *Murphy Brown* had a baby out of wedlock, the move was condemned by critics who said it would make unwed motherhood fashionable. But real-life women like Murphy Brown — well-educated, affluent — are just a fraction of the USA's 4 million unwed mothers.

So who are the unwed mothers?

▶ Just 30% are teens, though 70% of teen mothers are unmarried.

▶ Fewer than 6% of unwed college-educated women have babies; just 8% of single professional women are mothers.

▶ Most unwed mothers are in their 20s or early 30s with little education. Many work in low-wage jobs and nearly 27% of unemployed women are single moms.

Out-of-wedlock pregnancy is nothing new, but the "shotgun weddings" that used to follow don't happen as often.

While that may be true, in part, because of growing acceptance of unwed motherhood, University of Pennsylvania sociologist Frank Furstenberg thinks it also has to do with changing attitudes about marriage: "There's much less confidence about what marriage means."

TUESDAY, FEBRUARY 22, 1994 • USA TODAY

In Cincinnati, black teens pressed to postpone sex

By Margaret L. Usdansky
USA TODAY

CINCINNATI — Twice a week, some high school students go back to junior high — as teachers.

Their assignment: convincing seventh and eighth graders that, for now, sex should wait.

"The message they send is, 'Hey, I play sports. I'm a cheerleader. I'm socially acceptable. There's a payoff for the decisions I've made,' " says Christopher Kraus, head of a program called Postponing Sexual Involvement. "We're not saying you should abstain from sex forever. We're saying wait."

PSI is a new program focused on preventing teen pregnancy, a major concern in black neighborhoods nationwide. In Cincinnati alone, almost 1,000 black teenagers had babies in 1991.

Although births have been rising faster among white and Hispanic teens, black teen-agers remain most likely of the three groups to have a child.

More than one in nine black teen-agers gives birth each year, compared with one in 10 Hispanic teen-agers and one in 24 white teens.

And over 90% of births to black teens occur out of wedlock, a trend that's raised strong concern about generational poverty in the black community.

President Clinton, in a recent speech on welfare reform, noted the problem, saying: "Once a really poor woman has a child out of wedlock, it almost locks her and that child into cycle of poverty which then spins out of control further."

Says Elvia Price of the Cincinnati Urban League, which sponsors PSI: "The bottom line is we all believe there needs to be a decline in teen childbearing. We need to help young people have a vision and then find a path to accomplish it."

Cities like Cincinnati long have had school programs aimed at helping teen mothers, including day care.

But the PSI's "just wait" message is something that could help more teens, says Sharell Smith, a 17-year-old mother now in a Cincinnati teen parenting class.

"If you wait until . . . you got a job and you got married, you got a guy that you want to spend your life with, you achieve your life before you think about having a kid." she says. "It would be better to wait."

Developed in Atlanta in the 1980s, PSI is now in many school systems. Researchers say the program is successful in selling its abstinance message because it confronts the pressure many teens feel.

It also stresses that contraception alone isn't enough.

In a recent exercise at Woodward Junior High, teen leaders help a class draw up two lists: reasons to have sex and reasons to wait. The leaders then confront reasons offered for having sex, such as "being accepted" or "bragging rights."

"Many girls and boys today in society think that having sex will make them women and men. Being a man is not being able to get a girl pregnant. Being a man is being able to take care of your baby and take responsibility for getting a girl pregnant," says leader Brady Jones, 16.

Later, Jones reads the class a story about a girl who gives into her boyfriend's demands for sex, then finds out he is sleeping with somebody else. The girl is to blame, an eighth-grade student says: She waited too long to give in.

"Sometimes the boys are expecting and the girls are expecting the boys to expect. It gets into this self-fulfilling prophecy," says adult leader Anthony Davis.

A few miles away from Woodward, Marcia Simmons runs a teen parenting and day-care program. "I look at these teens, and I think having intercourse has replaced holding hands or a kiss," she says.

When she celebrated her 20th wedding anniversary, Simmons recalls, "One girl looked at another and said, 'Can you dig this? Miss Marcia's been waking up next to the same dude for 20 years.' It's beyond their imagination."

TUESDAY, FEBRUARY 22, 1994 · USA TODAY

White-teen births rising at fastest rate

By Margaret L. Usdansky
USA TODAY

Photos by J. Pat Carter

REALITY: At left, Jennifer Heinken, 16, holds son Sidney. Above, Angela Williams, 17, says she worries 'about being a good mother.'

OKLAHOMA CITY — Although she was having sex and not using birth control, Melissa Almas didn't expect to be pregnant at 15.

"It just kind of happened," says Almas, now 16 and the mother of a newborn son. "I had been on the pill, but I kept forgetting to take it, so I quit.

"My mom thought I had the flu, so I went to the emergency room." When they told her instead she was pregnant, Almas says she thought, "No, wait a minute here. This can't be right."

The idea that a sexually active teen isn't worried about getting pregnant may seem surprising. But experts studying rising pregnancy rates among white teen-agers and others say contraceptive use is the exception, not the rule, especially among younger teens.

Teen childbearing now is rising faster among whites than blacks — 19% compared with 13% between 1986 and 1991.

That's a disturbing trend in states like Oklahoma, where the poverty rate — a strong predictor of teen childbearing — is 14.4% among white teens, compared with 11% nationwide.

Conservative writer Charles Murray, who has been outspoken on the subject, also blames changing values. "The stigma (of teen childbearing) has been eroding in the white community," he says.

Whatever the root cause — from changing mores to trouble getting to a clinic to not being able to visualize the future — growing teen pregnancy rate for whites is causing soul-searching and concern.

Denilyn VanGundy, a social worker in Norman, says she once thought carelessness was behind teen pregnancies.

Now, she calls it a symptom of poor and troubled families many teens come from. "It's not just the problem of the teen-ager," she says. "It's all our problem because it's so costly."

Social worker Kelly Nedbalek says TV and movie depictions of sex as spontaneous reinforce teen-agers' tendency to think only of the moment: "During adolescence, it's natural to have this invincible feel, 'this could never happen to me.' "

Jennifer Heinken, 16, had those feelings, and was afraid to ask her parents for birth control. "I was scared (and) I didn't think pregnancy would happen to me," she says. Last September, Heinken gave birth to a son.

Other teen mothers echo Heinken's statements — and say reality quickly set in after their children were born.

Like many pregnant teens, Angela Williams, 17, lives with her parents. She isn't in touch with the father of the baby she is expecting. "I worry about being a good mother. If my kid's going to be OK and love me for who I am and stuff like that," she says.

Says Susan Reese, 18: "I always pictured meeting someone in high school and dating and getting married and then having kids. Now it's meeting someone and saying, 'Here is my son.' "

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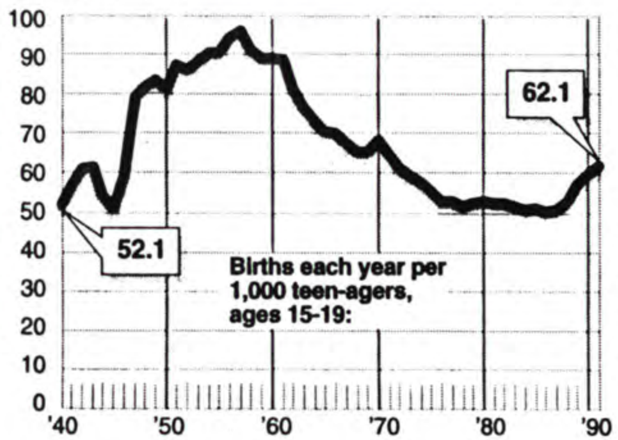
TEEN PREGNANCIES

Children bearing children

In 1991, the teen birth rate rose to its highest point since 1971, and more teens became unwed mothers than ever before. A look at teen mothers:

Teen births rising again

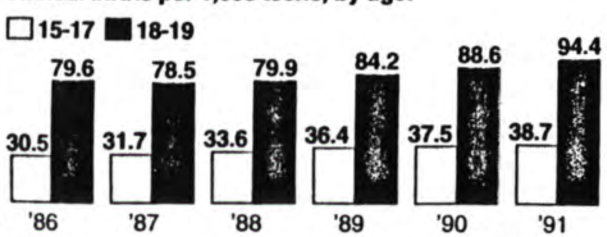
The teen birth rate peaked in 1957 at the height of the baby boom, then fell steadily for more than two decades. But after 1986, the teen birth rate began rising once more.



Births rising fastest among young teens

While older teens remain most likely to have a child, the birth rate is rising faster among young teens.

Annual births per 1,000 teens, by age:



Most teen mothers unmarried

Teen births occurring out of wedlock

White	59%
Black	92%
Hispanic	61%

Teen childbearing around the world

When it comes to teen childbearing, the USA looks more like a developing country than an industrialized one.

Annual births per 1,000 teens:

Industrialized countries	38
Developing countries	58
Nigeria	146
Guatemala	136
Kenya	109
Mexico	90
Cuba	81
United States	62
Saudi Arabia	55
Jordan	49
Algeria	43
Iraq	39
United Kingdom	33
Canada	25
Israel	20
Sweden	13
France	9
China	9
Japan	4
Taiwan	3

Out-of-wedlock births soar

Almost a third of all children — and more than two-thirds of children of teen-agers — are born out of wedlock.

Percentage of births occurring out of wedlock:

	Births to teens	All births
1940	13.5%	3.8%
1965	20.8%	7.7%
1990	67.1%	28.0%

Most unwed mothers in their 20s

Out-of-wedlock births, by age of mother:

Under 20	30.3%
20-24	35.4%
25-29	19.3%
30 +	15%

Share of out-of-wedlock births, by age of mother:

15-19	68.8%
20-24	39.4%
25-29	19.2%
30+	14.3%

Birth rates higher among teens whose parents dropped out of high school

Teens with a child:

Neither parent finished high school	White	13.4%
	Black	28.7%
	Hispanic	17.4%
One/both parents finished high school	White	4.4%
	Black	18.4%
	Hispanic	6.4%

... and among teens whose mother also was a teen parent

Teens who had a child by age 19, by their mothers' age at the birth of the mothers' first child:

Under 20	47%
20-24	23%
25+	14%

... and among low-income teens

Teen mothers whose household income was:

Less than $12,000	56.4%
$12,000 to $24,999	26.7%
$25,000 or above	16.9%

Source: U.S. Census Bureau, The National Center for Health Statistics, Child Trends Inc., The Center for Population Options, Population Reference Bureau, Alan Guttmacher Institute

By Julie Stacey, USA TODAY

Special report: Teen pregnancy

When teen births began inching up in the 1980s, many thought it a fluke. Instead, it was the start of a trend that crosses racial and ethnic lines, affecting young women, their babies and the nation.

▶ Cover Story, 1A
▶ Full-page report, 8A

COVER STORY

Teen births 'formula for disaster'

A1

By Jim Callaway

BRADY JONES: Leads prevention program

By Margaret L. Usdansky
USA TODAY

Eleanor Elliott and Merren Carlson don't need government statistics to tell them teen pregnancy is a problem.

Recently, Elliott, the nurse at California's Menlo-Atherton High School, drove two more girls to get pregnancy tests. She's already sent 14 to the district's program for pregnant students this year.

That program enrolled about 44 pregnant girls a year in the early 1980s. Last semester alone, 79 enrolled.

"I don't know the answer" says Carlson. "But I worry that we're getting used to it."

After more than a decade of decline, teen childbearing nationwide began a phenomenal rise in the mid-1980s.

Now, one in every 16 teen-age girls has a baby each year, up from one in 20 in 1986. Birth rates are up among whites and rising fastest among girls 15 to 17 and Hispanic teens.

And about 70% of these mothers are unmarried.

No one can put a price tag on the cost of two generations growing up together. But this explosion of children having children — entwined with the controversy over out-of-wedlock births — has set off an intense national debate about moral values, social sanctions and political solutions.

Some, like conservative writer Charles Murray, call out-of-wedlock births a crisis more important than "crime,

COVER STORY

'Too shy to nurse'

Continued from 1A

drugs, poverty, illiteracy, welfare or homelessness because it drives everything else."

Others agree. Teen pregnancy plays a key role in welfare reform proposals because while teen mothers are only 8% of women receiving welfare, over half of women on welfare had their first child as a teen-ager. Cost: $34 billion a year.

"Rising teen pregnancy rates are a formula for disaster," says Planned Parenthood President Pamela Maraldo. "Being young, uneducated, unemployed and pregnant means you limit your options and your future."

Educators, health workers and politicians blame a laundry list of influences for the increase. Sex-saturated TV shows and rock lyrics. Lack of parental guidance. Sex at younger ages. Reluctance to use contraception. Less social stigma attached to illegitimacy. The bleak futures of many low-income teens.

But while blame is abundant, the solution doesn't seem to be as simple as dispensing contraception.

"I could rain the sky with condoms day in and day out if I thought it would work," says Surgeon General Joycelyn Elders. But "these one-shot programs — they don't work."

While having a baby worsens their problems, research shows most teen mothers already face huge disadvantages.

Compared to their peers, teen-agers who become mothers are more than twice as likely to live in low-income households. As much as three times as likely to have parents who dropped out of high school. Two times as likely to have a mother who was a teen-age parent herself.

That link worries many who believe that teen pregnancies further widen the gap between society's haves and have-nots, for the groups with the highest poverty rates have the highest teen birthrates: More than one in nine black teen-agers and more than one in 10 Hispanic teen-agers give birth each year, compared with about one in 24 white teen-agers.

"We have communities that are having new generations born every 15 to 18 years" instead of the standard 25 or 26, says Kristin Moore of the research group Child Trends Inc.

"With short generations, communities don't have time to socialize kids, to teach the range of skills you need."

Public health workers also fret that the birth rate, while still highest for older teens, rose fastest among younger girls.

In her Hispanic neighborhood in east Los Angeles, "it's not uncommon to see a 14-year-old pushing a baby carriage," says Mellissa Martinez, who runs a pregnancy prevention program.

Martinez and others worry about these young mother's abilities to care for their children and themselves. Stories of young adolescents too embarrassed to have a pelvic exam or learn how to breastfeed are common.

"They look like young adults," says Denilyn VanGundy, a social worker in Oklahoma, where rates of white teen pregnancy are high. "But inside, it's so often a child. Here they are having sex and having a baby, and they're too shy to nurse."

Teen childbearing still is lower than in its peak year — 1971 — or in much of this century. But in earlier generations, most of those pregnant teens married. And they didn't live in an era when a college degree was needed to get a good job.

So what's going on? Explanations include:

▶ The percentage of teen-age women who have ever had sexual intercourse rose from 47.1% to 53.2% during the 1980s.

▶ Abortion — on the rise among teen-agers as births fell during the 1970s — declined among teens between 1988-89.

*▶ As the total number of teen-agers fell, the percentage of teens who are Hispanic — the group with the biggest increase in birth rates — rose, from 8% to 12%.

▶ Society is tolerating increasingly explicit sexual messages. On TV, "they never stop to say wait, hold on I'm going to put on a condom. . . . They just jump into bed," says Brady Jones, a teen leader in a Cincinnati pregnancy prevention program.

But experts say the jump in teen births has shown prevention programs can't concentrate on contraception alone.

"It's not as simple as giving Norplant to all teens and then . . . 90% of them will graduate from high school," says Oklahoma maternal and infant health director Tisha Dowe Webb.

Says Marcia Simmons, who runs a parenting program in Cincinnati: "When you grow up in a community that helps you dream dreams and make goals, you understand that having a baby is going to interfere. But if you grow up where you have no expectations . . . you don't have an incentive not to have a child. It's not that teenagers want to be pregnant, it's that they don't want *not* to enough."

In neighborhoods where teen childbearing is more common than going to college, many teens don't believe having a baby will change their lives for the worse. They talk not about broken dreams of careers or marriage but of parties to be missed.

"I didn't go out too much before I had kids, so I don't miss too much now," says Latasha Henry, a 16-year-old Cincinnati mother of two. "Things haven't really changed."

While media accounts often suggest teen-agers get pregnant because they want a child to love or a welfare check to gain financial independence, academic surveys repeatedly find that three-fourths of teen-agers don't plan their pregnancies.

"I knew I didn't want a baby right then in my life," says Oklahoma City's Susan Reese, 18, the mother of a 1-year-old son. "I can't say why it didn't enter my mind that I would get pregnant. . . . I knew about condoms and pills. It was just out of teen-age immortality — 'It will not happen to me.' "

Contributing: Patricia Edmonds

TUESDAY, FEBRUARY 22, 1994 · USA TODAY

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THE PRESIDENT HAS SEEN
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Florida Opens New Front in Fight on Immigrant Policy

By LARRY ROHTER
Special to The New York Times

MIAMI, Feb. 10 — Arguing that the Federal Government should bear the costs of illegal immigration, the State of Florida has begun denying foster care to immigrant children who are in the state illegally.

Since the Mariel boatlift of 1980, Florida, recently joined by California, Texas and New York, has been fighting with the Government over the cost of welfare, education, health care, housing and prison for immigrants. Estimating that Florida spends at least $739 million a year on such services to immigrants and political refugees, Gov. Lawton Chiles announced in late December that he was suing the Government to recoup those costs and reduce the flow of illegal immigrants.

But the state's decision to deny foster care to undocumented immigrant children opens a new front in that battle with Washington. Legal and immigration experts say this move, made with little fanfare late last year, symbolizes a new aggressiveness on the part of state officials faced with tight budgets and an issue that seems to have broad political appeal.

The state basically argues that it has no legal obligation to children who have been abandoned in a foreign country and wind up here. In the past, policies about providing social services to illegal immigrants have widely varied among the states.

Mr. Chiles, a populist Democrat who is running this year for a second four-year term, and other state officials argue that the Federal Government's refusal to shoulder its responsibility has penalized the 13.5 million residents of the nation's fourth-most populous state.

Two Recent Cases

As a result of the new policy, a shelter here for abandoned children recently delivered a Guatemalan teen-ager to the Immigration and Naturalization Service, which then began deportation proceedings against the youth. A second teen-ager, who fled Haiti after his father was killed in political violence there, was refused admittance to the same state-supported shelter last month until a court intervened and ordered he be granted temporary protection.

"I'm administering a state program for 9,000 foster kids, and we can barely provide a standard of living for children who are citizens," said Jim Towey, Secretary of the Department of Health and Rehabilitative Services, the state's principal social welfare agency. "We don't like to say no to anybody, because that's not why you go into social work, but I'm not going to lie to the people of Florida and say we can keep on watering down the soup."

In the past, the Federal Government has limited access to some of its social programs to immigrants who are able to prove that they have legal status in the United States, though it is often impossible to exclude illegal immigrants from services like emergency medical care. Immigration and child welfare specialists said it was highly unusual for a state to impose so restrictive and sweeping an eligibility test on social services.

Trend Developing

"This is emerging as a critical issue over the last several months, and Florida is first out of the gate and out in front on this one," said Dag Ryen, executive editor of "State Government News" a publication of the Council of State Governments, a nonpartisan research group based in Lexington, Ky. "What you are looking at here is a very new and significant development in state-Federal relations on the immigration problem."

Mr. Ryen added that sentiment to exclude illegal immigrants from social and other services was growing, with bills pending in several state legislatures. For example, said Rebecca Chiao, a lawyer with the National Immigration Law Center in Los Angeles, a new California law that goes into effect on Mar. 1 will require drivers applying for their first license in the state to provide proof of lawful immigration status.

The state of New York requires immigrants to present evidence of legal status when they apply for programs like welfare, day care and home health care, said Terrence McGrath, a spokesman for the Department of Social Services. But in New York City, where the vast majority of the state's illegal immigrants reside, an executive order in effect since 1989 has the practical effect, state officials say, of allowing city social workers simply not to ask questions about legal status.

Legal Services of Greater Miami Inc., a nonprofit organization here that provides legal assistance to the poor, filed suit last month seeking to overturn the state's policy. Lawyers representing the Haitian and Guatemalan teen-agers said that the state was acting illegally and that the youths had a Constitutional right to receive foster care and other social services.

Christina Zawisza, director of the Children First project at Legal Services of Greater Miami, said that since 1990 her organization handled, without incident until recently, the cases of more than 100 immigrant children in state custody who were seeking permanent legal residency through special juvenile visas. "Now, all of a sudden we get these cases, and they are balking," she said.

But lawyers for the Department of Health and Rehabilitative Services contend in papers filed at state Circuit Court here that it is the Immigration and Naturalization Service, not the state of Florida, which "is required to assume full and complete responsibility for the care and custody of this child or any minor undocumented alien until or unless he is returned to his home country." They are also arguing that state courts have no jurisdiction over the issue; a hearing on the case is scheduled for Friday.

Asked about the new Florida policy, organizations that deal with child welfare and immigration issues, like the National Association of Social Workers and the Child Welfare League, quickly condemned it. "It's totally outrageous and does no good for anyone, neither the children involved nor the greater community," said Luisa Lopez, who handles immigration issues for the National Association of Social Workers.

Mixed Motives

Mr. Towey, however, said the tough new approach was motivated by concerns as much humanitarian as economic. He said he had deep misgivings about the potential magnet effect in the Caribbean and Latin America of a court ruling that would force Florida to provide foster care to all youthful immigrants who arrive here illegally.

"This would send a signal to parents in Cuba, Haiti, Guatemala and elsewhere that there exists a new right to foster care and a better life for their kids," he said. "If these kids are assured foster care as well as the right to an education, I'm worried about what lives will be risked at sea."

Since the late 1980's, thousands of Cubans and Haitians have arrived here after dangerous sea journeys aboard makeshift rafts or rickety wooden boats. Most young people who have made that trip did so in the company of their parents, but cases of unaccompanied minors are not unusual.

The Haitian teen-ager in the case here, who turned 16 on Jan. 29, was one of those youths. According to court papers, he was put on a boat to Florida by his mother in October 1992 after a year of hiding from the Government forces that killed his father and spent time with other refugee families, in motels and on the streets before seeking refuge at the Miami Bridge shelter last month.

The Guatemalan youth, who is believed to be 17, has an even more difficult past, according to papers filed by his lawyers. He never knew his father, and after his mother was killed in a guerrilla attack when he was 7, he fled to El Salvador and then Mexico, relying on the charity of sympathetic adults until entering the United States around 1989.

"I don't want to see these kids out on the streets," Mr. Towey said. "But I'm not going to have one or two compelling cases define our policy. We can only care as much as the money we are given."

Cuba to U.S., On Surf Board

MARATHON, Fla. Feb. 10 (Reuters) — A Cuban windsurfer caught a favorable breeze and sailed his board to Florida, where he asked for asylum, sheriff's deputies said today.

The windsurfer, Eugenio Maderal Roman, 21, made the 110-mile trip from Cuba's Varadero Beach resort to Marathon in the upper Florida Keys in about nine hours.

The Coast Guard was not involved in the case because Maderal made it to shore unassisted, but they did not question whether he was telling truth because other windsurfers had made the trip in the past.

One of those who made it was Mr. Maderal's childhood friend, Lester Moreno Perez, who windsurfed to Florida in 1990 and now works as a computer programmer in Miami. Mr. Maderal said he thought of following Mr. Moreno at the time but decided it would be dangerous to attempt.

THE NEW YORK TIMES, FRIDAY, FEBRUARY 11, 1994

Bernie Nussbaum where are we on this?

THE PRESIDENT HAS SEEN 2/22/94

THE NATION

Ruling tangles policy on Chinese immigration

Approval of asylum foils Clinton's crackdown vow

By Maria Puente
USA TODAY

The Clinton administration's promised crackdown on illegal Chinese immigration has run up against a federal judge's ruling that China's coercive family-planning policies may be grounds for asylum.

The result is that American policy on asylum as it applies to Chinese is as confused as it was during the Bush administration — and could remain so for months or years while the issue is debated in the courts.

"There's an urgent need for the Clinton administration to come back with a clear statement on its policy," says Dan Stein, head of the Federation for American Immigration Reform, which advocates reducing immigration.

China tries to force couples to have just one child, a policy that has raised legal questions in the USA.

"The administration has dropped the ball ... and as a result they're losing control of the policy," he says.

The Justice Department is trying to decide whether to appeal the ruling, which involves the asylum claim of one of 285 illegal Chinese immigrants found on the smugglers' vessel Golden Venture last June.

The government insists the ruling applies to just one case.

But other judges may be influenced by it, and lawyers representing other Chinese say they intend to raise it.

Stein says that means the ruling — the first-ever judicial pronouncement on the issue — is a "disaster" and an open invitation to would-be Chinese asylum seekers.

Immigrant-rights groups agree the ruling may encourage would-be immigrants, but hail the decision as a victory for human rights.

"Clinton will have to take a position now — are human rights really a priority or is he going to coddle China as he accused Bush of doing," says Craig Trebilcock, who represents Chinese asylum-seekers.

By Michael Albans, AP

SEEKING ASYLUM: Illegal Chinese immigrants huddle in blankets on a New York beach after being rescued from the Golden Venture in June. More than 280 Chinese were smuggled on board.

But the ruling won't immediately help hundreds of Chinese asylum-seekers still in jail.

"It's an administrative abdication (by) sending the issue to federal court ... but it means these people will remain in limbo for months or years," said Arthur Helton, head of the Lawyers Committee for Human Rights.

The ruling was issued last month by federal District Judge Thomas Ellis in Alexandria, Va., in the case of Guo Chun Di, 28.

Guo, being held in a Virginia jail, says he fled because he and his wife wanted two more children. When they resisted orders to be sterilized, he said, officials confiscated their property and destroyed their home.

An immigration judge found Guo's story plausible but denied him asylum based on a 1989 Board of Immigration Appeals ruling. That ruling says that persecution under a coercive population control policy does not constitute grounds for political asylum.

"The administration has dropped the ball ... and as a result they're losing control of the policy."

— Dan Stein, Federation for American Immigration Reform

The Justice Department argued Guo was not singled out for special persecution, that Congress didn't intend for family planning policies to be grounds for asylum, and the 1989 case should be the precedent for deciding such cases.

But Ellis, who was appointed by President Reagan, said involuntary sterilization is "an egregious infringement on the fundamental right to procreate," and Guo's opposition to China's policy constitutes "political opinion" that makes him eligible for asylum.

Moreover, Ellis said U.S. policy on this issue had been hopelessly muddled during both the Bush and Clinton administrations — with nine inconsistent government pronouncements since 1988.

"Taken together, they amount to an administrative cacophony undeserving of judicial deference," Ellis said.

The cacophony may continue. Last summer, Clinton promised significant reform in the nation's overwhelmed political asylum system, including a crackdown on smugglers. Since then little has happened in either the White House or the Congress.

Attorney General Janet Reno was supposed to clarify administration policy last year, but in December declined to do so, saying the cases presented to her weren't good ones on which to base policy.

"Clinton made promises about significant reforms but internally everything's gone to pieces," Stein said. "They're making no one happy and getting nothing done."

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Michael R. Beschloss

The Art of Cabinet-Making

BY JOHN OVERMYER

In the wake of the Baird-Wood-Reno succession at the Justice Department, the Aspin-Inman-Perry succession at the Pentagon and the awkward departures of Deputy Secretary of State Clifton Wharton Jr. and Deputy Attorney General Philip Heymann, the Clinton administration has been gibed, even by the president himself, for rough edges in assembling his Cabinet and sub-Cabinet. History suggests that Cabinet-making has never been an easy art, especially when the president has an ambitious and controversial agenda, and that in those cases when Cabinets were assembled and functioned without glitches, the cost has often proved to be a lack of boldness.

The qualities required to become president do not always lead to flawless personnel choices. Sizing up a business or political figure as a useful ally is not the same as choosing a vital national lieutenant. Even Harry Truman had more faulty taste in people than Americans now remember: Alongside giants in the Truman Cabinet like Dean Acheson and George Marshall were such pygmies as the volatile Louis Johnson of the Defense Department and Attorney General Howard McGrath, who blocked an investigation of corruption in the Bureau of Internal Revenue. Truman had to fire them both. After his election, John Kennedy said, "I must make the appointments now. A year hence, I will know who I really want to appoint." He became disenchanted with Dean Rusk after only four months, saying, "How do you fire a secretary of state who does nothing—good or bad?" The answer was that he couldn't. As Arthur Schlesinger Jr. observed, that "would constitute too severe a comment on his own original judgment"—especially since Kennedy had appointed the man after meeting him only once.

There is an element of gamble in every Cabinet selection. Truman had found James F. Byrnes of South Carolina a companionable Senate colleague; he had no way of knowing that, as secretary of state in 1945, Byrnes would become so autocratic that he would quickly have to go. No one could have predicted the profound stress the Pentagon brought to the psyches of James Forrestal and Robert McNamara. Lyndon Johnson did not expect to find his appointment of the left-liberal Attorney General Ramsey Clark to be his "biggest mistake," so much so, as he said, that when he heard Richard Nixon denounce Clark in a campaign speech, "I had to sit on my hands so I wouldn't cheer it." Nixon had no notion that his seemingly conventional interior secretary, Walter Hickel, would become such an outspoken critic of the Southeast Asia war and Nixon's own secretive methods that he would have to fire Hickel.

Americans falsely remember most Cabinets in history as smoothly working machineries with stable memberships, which makes whichever one is now in power suffer by comparison. In fact, Andrew Jackson appointed four secretaries of state and five secretaries of the Treasury within five years. Only after the release of the private diaries of Franklin Roosevelt's combative interior secretary of 12 years, Harold L. Ickes, did we find how many times the president had to keep Ickes from quitting. Gerald Ford fired one Cabinet member (James Schlesinger of defense) for alleged insubordination, another (Earl Butz of agriculture) after he made a racist joke, his director of Central Intelligence, William Colby, to bring change to the CIA after the investigations of 1975, and his vice president, Nelson Rockefeller, as a millstone on his 1976 ticket. The memoirs of the almost consistently disgruntled secretaries of state Alexander Haig and George Shultz suggest to the reader that Ronald Reagan had to cope with the danger of a top Cabinet resignation almost every minute of his presidency.

There is little to demonstrate that harmonious, stable Cabinets produce better leadership. With his conception of politics as struggle, Richard Nixon thought the reverse. As Dwight Eisenhower's vice president in 1958, he privately complained to Joseph Alsop that there were "not enough sons-of-bitches" in government because Ike was so averse to conflict: "You know, there is this myth now, that a man has to be noncontroversial, that everybody's got to like, that he never gets into fights. . . . I think a time will come when we'll look back on this era and ask ourselves whether we were crazy or something." As president, Nixon was so impressed by John Connally's highhandedness as secretary of the Treasury that he began maneuvering to anoint him as his successor.

Most presidents strain to obscure imperfections in the official family portrait, considering public conflict a mark against their managerial competence. One reason why Reagan clung so tenaciously to Shultz was that he knew how damaging it would be to lose two secretaries of state, particularly as he ran through six successive national security advisers. After his election in his own right in 1964, Lyndon Johnson rejected his friend John Connally's advice to replace remaining Kennedy appointees in his Cabinet with figures whose original loyalty was to Johnson. (He came to regret it.) No one was more reluctant to rock the boat than Carter. His attorney general, Griffin Bell, notes that Carter almost romantically wished for the Cabinet stability that eluded Nixon and Ford: "He had a thing about keeping his Cabinet together." So pronounced was this that in the spring of 1979, Carter told reporters that he was very pleased with his "superb" Cabinet and would choose all the same people again. A few months later, in his famous "Camp David massacre," he fired two of them; two others jumped before they were pushed.

The finest Cabinets in this century were probably Franklin Roosevelt's. They were also among the most changeable and tempestuous. As his biographer James MacGregor Burns has written, FDR was an "artist in government." He did not shrink from choosing independent and mercurial people for his administration, even at risk of occasional criticism by press, Congress and public for misjudgment or mismanagement. Roosevelt thought it better to orchestrate conflict and competition over great issues than to have none at all. One symbol of this was Harold Ickes, who despite the high presidential maintenance he required, was one of the stars of the Roosevelt Cabinet. Whenever President Clinton forgets Roosevelt's lesson, he will have a nearby reminder: Ickes's namesake son has just been appointed deputy chief of the White House staff.

Michael R. Beschloss is the author of "The Crisis Years: Kennedy and Khrushchev, 1960-1963."

WEDNESDAY, FEBRUARY 2, 1994 THE WASHINGTON POST

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Welfare As We Need It

By Theda Skocpol and William Julius Wilson

President Clinton has eloquently renewed his promise to "end welfare as we know it." Now, as his aides hammer out legislation to keep that promise, he needs to insist on policies that truly further the widely shared values he laid out in his State of the Union Message: work and parental responsibility.

What it will take is clear. Jobs must be available to all adults who can work, and they must have wages, benefits and protections that are suitable for families. Policies must require and enable parents to devote time and money to the care of children. These things can be done without huge amounts of new public resources.

The Administration wants states to turn welfare offices into "transitional" centers for training and job placement. Since most poor men and women want to work, they will welcome this change. We urge the President to make the commitment to work ironclad by helping local governments create public jobs when private-sector jobs are lacking.

But in making the shift toward work rather than welfare, the Administration needs to make two fundamental breaks with past policies.

First, work should be defined to include parental time spent with children. The President's call for responsible parenthood cannot be realized with the policies his planners are

Jobs for all, but flexible ones. And a payroll tax for child support.

contemplating, because they are based on an unrealistic and unfair premise — that impoverished single mothers should be required to do full-time wage-work rather than to combine part-time employment with care for children, as many more privileged American mothers still do.

Second, it would be a mistake to leave in place the unwieldy and inefficient state-by-state system of collecting child support from absent parents (mostly divorced or unwed fathers). "Deadbeat dads" owe $34 billion a year in uncollected child support. If this money were efficiently collected and delivered to custodial parents, the economic security of America's children would be vastly improved.

This is not a welfare issue so much as a matter of preventing poverty in the first place. One in two children will grow up at least part of the time in a single-parent family, and such families are likely to fall into poverty.

What we need is a national system of child support assurance that works automatically, and without the stigma attached to the current system. Both parents must be identified by their Social Security numbers at the birth of each child. Later, if a divorce occurs or if a parent is otherwise absent, then he (or more rarely, she) would be liable for a tax, depending on the number of children involved.

Child support would be collected like Social Security and other payroll taxes. If the noncustodial parent's income goes up, he automatically pays more; if it goes down, he pays less. No parent could move out of state to avoid such a national tax. Efficient child support enforcement would make it unattractive for men to father and abandon multiple families, so this system might well encourage stable marriages.

As with Social Security, there would be a minimum child support benefit if the absent parent's tax payment went down too far. It could be set at about the level of a half-time minimum-wage job.

This would be very different from welfare. A divorced or unwed mother could not live on the minimum benefit; she would have to work at least half time. If she chose to work more, she and her child would get ahead, because the minimum benefit would not be taken away.

But suppose the mother decided to spend part of each day with her children. This could be vital for a poor family in a tough neighborhood. After all, it is exactly such single mothers who most need time to visit school, meet with other parents in voluntary organizations or be at home when the child returns from school. Poor families and neighborhoods need both the discipline of work and the time to build social networks and cohesion.

Since its inception, the terrible flaw in the U.S. welfare system has been its failure to support efforts to *combine* employment and child-rearing. Back in the 1910's, "mothers' pensions" sought to keep impoverished mothers out of the wage labor force and entirely at home with their children (although they were never given enough money actually to live that way). It would be a shame, in the 1990's, to go in an equally unrealistic way to the opposite extreme, forcing poor mothers into full-time low-wage jobs. This is not the right ideal for public policy to uphold.

Part-time jobs combined with child support would also be less costly than finding full-time jobs for millions of current welfare recipients.

To be sure, the Administration is promoting measures to help poor families. A big step was taken last summer with the expansion of the earned-income tax credit. Wisely, the Administration now wants to pay this wage supplement throughout the year, so families can count on it as regular income. It also wants to expand child-care subsidies for working parents.

Health insurance is equally crucial. As a Chicago welfare mother who wants to "go out there and get a job" put it: "I don't like being on public aid right now. But without a medical card, what do I do when my kids get sick?" If the Clinton forces lose in Congress to proponents of the upper-middle-class-oriented Cooper plan, then many low-wage workers will be left uninsured and it will be hard for parents to move off welfare. For the sake of welfare reform as well as economic efficiency, the President's promise to veto any bill that falls short of universal coverage is wise.

Let's use this round of policy changes to say to all American fathers and mothers: "You must support your children through a combination of work and time spent with them." Government will help working families. If marriages fail, public policies will enforce and sustain responsibility for both parents — without pretending that single mothers can be expected to carry the burdens of two parents at once. □

Theda Skocpol, professor of sociology at Harvard, is author, most recently, of "Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States." William Julius Wilson, professor of sociology and public policy at the University of Chicago, is author of a forthcoming book on race and the new urban poverty.

THE NEW YORK TIMES, WEDNESDAY, FEBRUARY 9, 1994

THE PRESIDENT HAS SEEN
2/22/94 db

THE WALL STREET JOURNAL TUESDAY, FEBRUARY 1, 1994

Germany Is Not a Model

By WILFRIED PREWO

"We have a lot we can learn from the Germans," President Clinton said recently, trying to sell his health care plan. "The Germans are able to provide a very high-quality health care system at a much lower cost than we are, because they have much more discipline in the way it's organized and financed." In an address to the National Governors Association yesterday, German Chancellor Helmut Kohl said that in the "run-up" to America's health care reform, "there was an intense exchange of opinions between American and German experts."

On the surface, the German system does indeed look good: It insures society comprehensively and gives individuals quality coverage that is permanent and portable from job to job. Germany spends about 10.6% of its gross domestic product on health, as opposed to about 14% spent in the U.S.

But simple comparisons are misleading. Germany and the U.S. differ greatly in aspects not controlled by doctors and hospitals, such as crime-related injuries, malpractice insurance and nursing care for the elderly. It is worth noting, too, that the costs of Germany's plan have risen by a sharp 23%, after inflation, over the past three years. It pays to take a good look at the German system before prescribing it in the U.S.

Striking Similarities

PRICING HEALTH CARE

The similarities between the Clinton plan and the German system are striking. The president wants universal coverage; Germany has nearly achieved that. German law mandates that everyone enroll in the health insurance system, with the important exception of higher income earners making more than $3,300 a month. The opt-out income level is set relatively high so that about 74% of Germans must join. Another 14% voluntarily join or stay in the statutory health system although their income has risen beyond the cutoff. About 10% (higher-income employees, self-employed) have private insurance, and fewer than 1% have no insurance.

Regional health alliances, a big Clinton idea, are the cornerstone of the German system. Companies with more than 1,000 employees (5,000 in the Clinton plan) have the option of forming a corporate alliance. These roughly 1,000 regional or other alliances are the monopoly buyers of medical services for the 88% of Germans who belong to the statutory system.

The Clinton team wants a system that guarantees identical benefit standards for all alliances; the American debate over coverage for mammograms and prostate-cancer tests already gives a whiff of how controversial the contents of this list will be. In Germany, which already has such unified standards, the contents of the list are so important they can affect elections: coverage of abortions, for example, will play a role in elections this year. The net result, Germany shows, is that the list simply grows over the years.

Germans pay for their plan through what is essentially a payroll tax, just as the president would have Americans do. Employers and employees in Germany each pay half of the tax (rather than the 80%-20% split proposed in the Clinton plan). The tax rate differs among the alliances, ranging from 8% to 16.8% of payroll (aggregate of employer and employee share), with an average of 13.4%. Yet Germany's program gives us clear evidence of the degree to which this system lends itself to abuse. Once their tax is paid, Germans graze themselves to obesity on medical services. The Clinton plan has the same bias toward excessive individual use of medical services—at the expense of all members of an alliance.

The German system's major fault is that it doesn't put people first, in the sense of building on individual responsibility and control through effective copayments and other incentives to save. It is interesting that corporate alliances, organized by companies that have an interest in holding their own 50% share down, typically have premiums far below the average regional alliance.

The Clinton plan's critics believe that this system also strengthens bureaucracy. The German plan proves them correct. While the alliances were originally devised as nongovernmental health plan purchasing cooperatives, they have degenerated into de facto government agencies. Some 112,000 employees in western Germany alone work for alliances, their administrative costs per member having risen by 53.5%, adjusted for inflation, from 1982 to 1992. This is more than the increase in the alliances' total health costs, revealing that the disease of bureaucracy is the real problem.

The Clinton plan's critics also fear that it will quickly become a single-payer system. In effect, Germany's has already become one, financed by the payroll tax (for the 88% in the statutory system). Patients do not see a doctor's bill. Thus, they have no way of realizing whether the charge for a service has been particularly expensive, or even whether the service has actually been rendered. The doctor sends his bill to his regional association of physicians as the financial clearing house and counterpart of the patient's alliance.

For 20 years, the German health plan has vacillated between financial distress and collapse. Its price and supply controls foreshadow those of the Clinton plan.

Hidden taxes, a flaw in the Clinton plan, are already part of the German plan. Because the average German carries only 50% of his health care costs directly, he is aware of only his 50%, and increases may not bother him too much. But the 50% the employer carries is reflected in overall labor costs that make Germany the second-most-expensive country in the world to employ people (after Switzerland), and one with higher unemployment than the U.S. Under the planned 80% employer cost-sharing in the Clinton plan, this labor-depressing effect would even be more pronounced in the U.S.

Cost-sharing and lack of incentives to save form a potent drug driving health costs up. Unobserved, hidden taxes grow. The German payroll tax rose from an average of 6% in 1950 to 8.4% in 1960 and 11.4% in 1980, before reaching its current 13.4%.

Financially, the German plan is also no model. For 20 years, it has vacillated between financial distress and collapse, and the government has intruded with ever-tighter regulations. Since 1977 alone, there have been nine federal laws trying to curb costs. German measures to control costs foreshadow the results of the Clinton plan: price controls and control of supply.

Last year, physicians, dentists and prescription drugs were each, as a group, subjected to narrow budget caps, and tight regional quotas now limit the number of doctors allowed to practice under the system. The physician associations have to police their members with respect to "excessive," above-average services. More cost-effective—particularly corporate—alliances now have to cross-subsidize high-cost alliances, thus rewarding inefficiency in the name of solidarity. Prudent insured people and prudent doctors are still not rewarded for cost savings in the form of lower premiums or bonuses. Needless to say, all reform attempts have missed their targets.

Although only 10% of Germans are covered by private insurance, it offers some obvious lessons for everyone. First, payroll taxes in the statutory system are 25% higher than private premiums, since private insurers compete vigorously. Their benefits are better, and the administrative cost per insured person is only half. Second, the private alternative forces the statutory system to improve, within limits, since otherwise its voluntary members would opt out for private insurance. This beneficial effect is indirectly evidenced by the larger inefficiencies in countries that force everybody into a statutory system.

Maybe the Clinton team looked at various statutory systems and concluded that Germany's looked best. The one-eyed is king among the blind. But why does the president want to emulate the 90% of the German system that is failing instead of the 10% that is effective?

Wrong About Costs

Perhaps the most interesting revelation from the German plan, though, is that it shows how unrealistic Mr. Clinton's is. In the U.S., the maximum premium to an alliance will be about 10% of payroll. This is supposed to pay for health costs that now amount to 14% of GDP, set to rise to 17.3% in the year 2000 under the Clinton plan's reform projections (18.9% otherwise).

If a 13.4% payroll tax in Germany is needed to finance 10.6% of GDP, it is hard to conceive how, in the U.S., a much smaller payroll tax of 10% can finance U.S. health care costs at a much larger share of 14% to 17% of GDP. The missing gap is too large to be filled by the designated subsidies and sin taxes. If you want to copy pages out of the German social policy book, have your checkbook handy.

Mr. Prewo is chief executive of the Chamber of Industry and Commerce in Hanover, Germany.

~~Ira~~ — What's our response to this point — This is at first blush an effective attack

B.

— need a response to this — J. Uwe Reinhardt?

Stanley K. Sheinbaum

THE PRESIDENT HAS SEEN
2/22/94 db

Stanley

Tony Lake

B

MEMO TO: President Bill Clinton

SUBJECT: The Clinton imprimatur for myself

DATE: February 21, 1994

You will remember that when you urged me to "stay on the Syrian track" and I then planned my visit to Assad you provided me with an informal non-official imprimatur such that I could say I was a personal friend and advisor but could not make any commitments. Later but before I visited Arafat in mid-January (see my January 21st report) I asked you for a similar arrangement. You did give me that, but in retrospect I realized that it was not necessary for that meeting to have it in hand.

Further, because there might be a concern emanating from that initial understanding that I might be roaming the globe with that imprimatur, however informal, I want you to know that I will not invoke anything without prior renewal from you.

You should also know that the first week in March Betty and I are moving to Paris for three months, a long standing promise to Betty--and which I am very much looking forward to. As of now I have no further Middle East trips planned.

I merely wish that I were better positioned to be helpful to what you are trying to accomplish.

cc: Secretary of State Warren Christopher

SKS/bc
clinton.36

345 North Rockingham Avenue Los Angeles California 90049 Telephone (310) 472-9541 FAX (310) 476-9853

Stanley K. Sheinbaum

FAX TRANSMITTAL

DATE: 21 February 1994

TO: NANCY HERNREICH

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FROM: STANLEY SHEINBAUM

COMMENTS: FOR THE PRESIDENT

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2/22 cc Tony

Stanley K. Sheinbaum

Tony
Interesting + was
worth reading — who
Egyptian ~~ag~~ [illegible]

FAX TRANSMITTAL

THE PRESIDENT HAS SEEN
2/22/94 db

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Stanley K. Sheinbaum

Stanley

MEMO TO: President Bill Clinton

SUBJECT: Meeting with Prime Minister Rabin, February 8, 1994

DATE: February 21, 1994

I had gone to Israel just prior to my mid-January meeting with Arafat to be as well oriented as possible by Israelis and by both pro and anti-Arafat Palestinians (not including any fundamentalists). While in Israel Prime Minister Rabin apparently heard about my impending trip to Tunis and asked to see me. However, at the last minute he became ill, and we had to cancel. Then when I wrote my January 21st report to you on that Arafat meeting a copy went to him and although I was already back in Los Angeles Rabin sent word asking me to come back to Jerusalem.

We met on February 8th. He had my report on his desk to which he alluded several times. To my surprise nobody else was present and the meeting lasted about an hour and fifteen minutes.

Regarding Arafat there were few surprises. He talked about Arafat's inability to understand democratic processes and therefore has an autocratic tilt. This was aggravated by the monies that he has had available over the years until the Gulf War. That he was not accountable for those monies enabled him to disperse them to generate personal support for himself among the Palestinians.

More importantly--from Rabin's point of view--is that Arafat has been too content just with the signing of the Declaration of Principles in September on the White House lawn. Never having administered a governmental entity Arafat does not fully appreciate the need to implement arrangements on the ground for such things as the security of both the Israelis and the Palestinians. This is not merely a matter of border crossings as with Egypt (simplistically put), but a rather a concern about the Palestinians and the Israelis who are interwoven in the same geographical areas with "tens of thousands of cars of each crisscrossing Israel daily". Making the situation worse, of course, is the deep and long history of the hostilities between the Palestinians and the Israelis on the streets and in the neighborhoods. All that requires greater "on the ground" precautions than as *between* Israel and Egypt, or hopefully Israel and Syria.

In that context we also discussed the oft made point about Israeli attitudes on the one hand toward Arafat and on the other toward Assad. Because so much of the Palestinian threat has been "around the corner" the presence of Arafat has seemed more immediate than that of Assad who is afar even with his planes and tanks. On the other hand, and as Rabin pointed out at the Israeli Embassy on September 13th

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to about a thousand American Jews present, the PLO has never been a threat to the security of the state of Israel but clearly a bloody threat to individual Israelis on the streets. Assad, of course, represents the military threat.

Staying on the subject of Arafat I asked the Prime Minister of his thinking about the breakaway Palestinians including people like AbdelShafti, Hanan Ashrawi, Faisal Husseini, and others. His response interested me. He said there is a new Palestinian generation who had already come on to the scene and who ignore the aforementioned group making them virtually irrelevant. This new generation comes out of the *intifada* and they feel that their role in the past five or six years has been major in bringing things to where they are so far. Interestingly, he seemed to have a respect for them and even suggested that they are better to work with than the old guard.

One further thing he said about the old guard is that to the greater extent these are rich people, and he had a fear that they would not be sufficiently attuned to the goal of democracy. The younger ones are already very sensitive to that.

On the question of democracy we also discussed the question of elections which I had considered to be a given by all those on "our" side. Rabin said that while elections are desirable he did not feel that it is the business of one people to impose something like elections on another, in this case the Palestinians. While he is not opposed to elections he would want the impetus to come from them. In fact, he seemed very satisfied that Arafat seems to be going for municipal elections without saying much anymore about general elections. That clearly does not bother Rabin. The interest of the Israeli people, he said, is not whether or not the Palestinians hold elections but rather whether can they, the Israelis, be assured of security.

On that broader point he expressed some criticism of the U.S. for its emphasis on human rights and democracy. He also pointed out the inconsistency between pressing China on human rights and democracy, but never a word about Saudi Arabia. He added that in China--and arguments rage about this--moving toward a market economy will result in a political system that is democratic. Bear in mind that Rabin is basically a military man for whom such things as democracy and human rights probably carry a lower priority than for the likes of us.

On the matter of Assad, his focus clearly was on Assad's seeming unwillingness to help him, Rabin, develop a softer image of Syria and Assad to the Israeli people. He made the statement that Sadat prior to Camp David did 80 percent of Begin's work for him in exactly that regard. Assad barely lifts a finger. When he finally granted permission for the Syrian Jews to leave it was done after so long a period that it had the quality of reluctance about it--and did nothing to assuage the Israeli people. Even for as relatively a minor thing as the Israeli/Arab Knesset member Darwishe to go to Syria to pay his personal condolences to Assad after the unexpected death of his son, it further implanted the mercurialness of Assad in their minds when Assad at first rejected the request.

Rabin himself then said that Assad's eyes are primarily on winning over Washington and that he need not pay attention to Israel in this regard. I had earlier discussed the point at great length with the Ambassador and he kept coming back with a series of things that Assad had either said or done that both Assad and Al-Moualem felt satisfied the very requirements that Rabin later talked about. (See appendix below.) This inventory while of some substantive consequence reflected an inability to understand that it was the Israeli people who have to be convinced. Some of the list included items that most Israelis would never even have become aware of. I suspect Al-Moualem's thinking in this regard is a reflection of Assad's preoccupation with the need to ingratiate himself only with Washington. In any case, Rabin in what struck me both as a matter of national pride and as a reflection of the political reality within Israel did make much, to repeat, of the need for Assad to make visible gestures for peace toward Israel as well as Washington.

In general, I got the distinct impression that Rabin would much prefer to deal with Assad who has a very clear mind about where he is and what he wants than with Arafat who is under greater pressure than ever, but who even under normal circumstances and precisely because he has not been a governmental leader has not had to set his goals clearly so that those who are in negotiations with him do not become confused.

cc: Secretary of State Warren Christopher

SKS/kz
clinton.35

APPENDIX

Some of Syrian Ambassador Walid Al-Moualem's arguments that the Syrian Government is indeed trying to create a softer image (From SKS' notes)

First, during the sixth round when Ambassador Rabinovich became the head of the Israeli delegation it was the Syrians who developed a paper which still is a working paper between Syria and Israel.

Second, in the United Nations on September 19, 1992 the principle of "full peace for full withdraw" was announced. Now President Assad in Geneva talked about peace with Israel as the strategic option for Syria. Assad described Syria's reasons for establishing normal peaceful relations with Israel, and for trying to end the Arab Israeli conflict with a description of what the Middle East will be like if this happens.

Third, at the Geneva press conference President Assad was also asked if he is ready to sign a peace agreement with Israel or is he waiting the sixth U.S. President of the United States to meet him. He had met Nixon, he met Carter, he met Bush, and now Clinton. Four. When journalists asked him if he was waiting for the fifth or the sixth U.S. President, Assad responded that he is ready to sign tomorrow, or now.

Fourth, it has been asked why Assad let Clinton explain what his understanding about *full* peace in the press conference. Assad's very silence to that question showed agreemently, letting Clinton answer.

These are the kinds of things that the Ambassador feels should satisfy Rabin. Even accepting all as valid I tried to explain that these do not get through to the Israeli public. That is the problem. Nothing approaching Sadat's trip to Jerusalem has been proffered. The Ambassador says he got the point. (That was a month ago.)

WALID1

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

February 3, 1994

Fix w/ my health care staff

MEMORANDUM FOR PRESIDENT CLINTON
HILLARY RODHAM CLINTON
PATRICK GRIFFIN
HAROLD ICKES
GREG LAWLER
GEORGE STEPHANOPOULOS

FROM: IRA C. MAGAZINER

SUBJECT: COST CONTAINMENT

Achieving universal coverage without cost containment could lead to significant increases in the budget deficit and in the proportion of GDP going to health care.

We believe that managed competition and the change in incentives proposed in our bill, the Cooper bill and the Chafee bill will ultimately be the main driving force to limit the growth of costs in most parts of the country.

However, few think it will be sufficient on its own in all parts of the country. Oligopolies may develop. Gaming may occur. Competition will take time to develop in some places and may never develop efficiently in some parts of the country.

The Cooper and Chafee bills provide a backstop to competition by providing a strong incentive to lower benefits. These bills remove the tax deductibility to companies (Cooper) or individuals (Chafee) for benefits above the nationally guaranteed package and for insurance purchased at any plan which is not the low cost plan (Cooper) or low cost 1/3 of plans (Chafee) in an area. Both bills, particularly Chafee, allow for a reduction in the national benefits packages if costs rise too rapidly.

We recommend the premium cap as a backstop which puts pressure on health care providers and insurers instead of on workers with good benefits.

Premium caps are hard politically because they are opposed by health care providers and insurers and by many businesses (for ideological reasons). They are also out of fashion in economic circles.

A tax cap on deductibility is hard politically because it is opposed by consumer groups, labor, seniors, businesses now providing good benefits and many providers who fear it will drive people into low cost, low quality HMOs.

The easiest route politically would be to do neither. This would be a big mistake. If costs run out of control as health care reform is being implemented, the economy and this presidency could be in jeopardy.

As we have discussed before, premium caps that are less stringent and/or triggered may well be an acceptable compromise if structured properly.

THE WHITE HOUSE

WASHINGTON

January 24, 1994

MEMORANDUM FOR PRESIDENT CLINTON
HILLARY RODHAM CLINTON
PATRICK GRIFFIN
HAROLD ICKES
GREG LAWLER
GEORGE STEPHANOPOULOS

FROM: IRA C. MAGAZINER

SUBJECT: "BOTTOM LINE" ISSUES FOR HEALTH CARE REFORM

This memo suggests "bottom line" provisions which could be communicated to congressional leaders to meet the President's goals. It is for internal use only.

1. Universal coverage before the end of the decade which means employer and individual mandates.

2. Comprehensive benefits which means a nationally guaranteed benefits package spelled out in the legislation with reasonable deductibles and copays.

3. An end to discrimination in health insurance which means community rating laws and some means of creating large risk pools.

4. Cost containment which means consumer choice, competing health plans and some form of premium cap (or all-payer rate mechanism) as a backstop.

5. Upgraded senior benefits which means a Medicare prescription drug benefit and some long-term care program, predicated on achieving significant Medicare savings.

RATIONALE FOR BOTTOM LINE

1. Universal Coverage

A mandate on employers to contribute to and on individuals to buy health insurance is the best way to achieve universal coverage. Without universal coverage there can be no health security.

Today, 39 million Americans have no insurance and 22 million have only "bare bones" coverage. Over 85 percent of these people are employed. Employers will contribute over $200 billion in 1994 for health insurance premiums for the under 65 population, more than families and the government combined.

Employers make these contributions voluntarily. However, for the past 10 years, as health insurance has become more expensive, many employers have cut back on insurance payments and some have dropped them entirely. In 1992 alone, over 2 million Americans (net) lost their health insurance, almost all of them workers and their families.

There are three ways to provide universal coverage:

- Raise taxes and have the government finance health care providers or plans directly (single-payer). We think this is politically unacceptable.
  - It would require raising $300-400 billion of taxes per year.
  - It would put the government directly in charge of the health care system.
- Require all individuals to buy insurance, make it more affordable to them by reorganizing the insurance market and provide subsidies to low income people (individual mandate).
  - Because insurance is so expensive, government subsidies would have to be very large to really make insurance affordable.
  - An individual mandate would encourage companies to drop or lessen coverage at an even faster pace then over the past 10 years since the government would provide subsidies. The cost to the Treasury would thus grow dramatically.

- A huge bureaucratic means testing apparatus would have to be established to administer subsidies to well over 100 million Americans to make insurance affordable for them.

- Require employers and individuals to contribute to health insurance.
  - Builds on the current system.
  - Minimizes cost to government.
  - Provides security to people.
  - With sufficient discounts for small and low-wage firms and for low income individuals, and gradual phase-in, can be affordable to companies and have minimal negative job impact.

As a "bottom line", we could support proposals which lessen the employer mandate and increase the individual share.

- * Instead of requiring an 80 percent employer share, a 70 percent or even lower percent employer share is possible.
- Discounts for small or low-wage businesses could be increased.
- Phase-in of the mandate and therefore universal coverage could be slowed down by a year or two.

*Decreasing the employer share increases the federal subsidy requirement. We want universal coverage which is real, which means adequate subsidies to make health care affordable for all people.

2. Comprehensive Benefits

To provide health security, health care legislation should spell out comprehensive benefits. So called catastrophic policies do not provide real security and still leave significant cost shifting in the system. Comprehensive benefits mean:

- No lifetime limits.
- Annual out-of-pocket maximums ($1,500 per person and $3,000 per family in our bill).

- Reasonable deductibles and co-pays (a maximum of $400 per family deductible and 20 percent copay in our bill).

- Comprehensive coverage of services.

- An extensive preventive package.

3. An End to Discrimination in Health Insurance

Today, people pay wildly different amounts for the same insurance coverage based on their health status, age, sex, whether they work for a large or a small company or are self-employed, or whether they are part of a large or small pool of insured people. Health insurance companies compete primarily by trying to insure only people who are likely to stay healthy and therefore not need services.

Health alliances with community rating laws are a good way to end health care discrimination. The alliances create big pools which make the community rating real. There must be some mechanism in the bill to do this or the bill will not guarantee security and control costs. If insurers can market so as to avoid risky patients or can charge more for them, there is no security. If they can compete this way, they are less likely to focus on competing on quality and efficiency. If people still have to pay more simply because they work for a small rather than a large firm or because they are self-employed, job lock will not end.

We could agree to smaller mandatory alliances -- companies of 500 or less required to join alliances instead of 5,000 -- if necessary. Below this level, it becomes very difficult to enforce community rating and to integrate Medicaid into the private system.

If sufficient sized mandatory alliances must be dropped, we would have to move to some other mechanism to enforce community-rating and create big pools which would involve significant regulation and enforcement activity, reinsurance and transfers of funds among health plans. This whole area is very tricky. Many say they believe in community rating, but they often propose measures full of loopholes which do not, in fact, end discrimination.

4. Controlling the Growth of Costs

Extending universal coverage could cause an explosion in private sector health spending and federal subsidies if explicit steps are not taken to control the growth of costs. The current slowdown in cost growth will not continue without real reform.

We have proposed a series of steps to increase competition among health plans, to create more cost conscious consumers and providers and to reduce government and insurance company imposed administrative requirements as the main mechanisms for controlling the growth of health care costs.

As a backstop, we have proposed a cap on the average rate of growth in premiums for the guaranteed benefits package. The cap will serve as a discipline to accelerate competition and to protect consumers in parts of the country where competition might be slow in developing.

We have purposely created a "redundant system". If competition works, premium caps are not necessary. If the competition doesn't work as well as expected in parts of the country, then the caps protect the consumer and the Treasury.

Controlling costs is too important to leave to chance. The market reforms are essential to our approach. We could accept less stringent premium caps, or ones which are set in a different way, ones which are phased differently, or ones which are automatically triggered if competition fails to bring desired results. We could also accept all-payer rate setting mechanisms as a backup if states preferred this approach.

We would be concerned not to have any caps. Without the backup, the health industry might absorb uncompensated care savings into profit instead of passing them onto consumers and businesses. Health plans may form oligopolies or "game" the competition.

5. Benefits for Seniors and Disabled Americans

Some form of prescription drug benefit and some serious beginning on a long-term care benefit are necessary to meet the health care problems of our senior and disabled populations.

We can be flexible on details and phase-in, but it would be irresponsible in comprehensive health reform to ignore these problems entirely. It would also be difficult to include prescription drugs in the under 65 benefit package but not include them in Medicare. These benefits could be tied to the achievement of some level of Medicare savings.

THE WHITE HOUSE

WASHINGTON

February 18, 1994 94 FEB 18 P7: 10

MEMORANDUM FOR THE PRESIDENT

FROM: **KATIE MCGINTY**

CC: **THOMAS MCLARTY**

SUBJECT: **OEP WEEKLY REPORT**

PACIFIC NORTHWEST FORESTS

The Vice President traveled to Tacoma, Washington to keynote a two day conference on watersheds hosted by Senator Murray and Representatives Dicks and Unsoeld. Vice President Gore presented a broad statement of the Administration's efforts to follow through on your commitments to the region last year to end the gridlock and establish a stable, defensible forestry program. He presented two economic assistance packages to two Washington communities who have prepared sustainable development/economic diversification plans. The Vice President's visit was very well received with a strong, positive media response. Next week we will have regional and D.C. briefings on the final forest plan which will be released Friday. The final plan reduces our legal exposure, while also retaining the balance you laid out last July.

ENVIRONMENTAL TRIP TO AUSTRALIA

Last week OEP's Deputy Director Cathy Zoi gave a keynote address at an international meeting on "Clean Production and Economic Growth" in Melbourne, Australia. Our Administration's message of *partnership and cooperation* was well-received by the many countries in attendance and by the media in Australia and other Pacific-rim nations. The Australian government, often a U.S. ally in *international* environmental negotiations, has not yet embraced our "out of the courtroom and into the conference room" philosophy *domestically*, and was quite interested in how we were able to achieve such progress. Key countries with ministerial-level participation in the conference were from Germany, Indonesia, China, and Australia.

CLIMATE CHANGE

With OSTP and NEC, OEP co-chaired the first interagency meeting of the "Beyond 2000" task force, which was charged in the Climate Change Action Plan with developing a long-term and strategic climate change policy. Interagency working groups are forming around five broad areas: Energy Supply, Energy Demand, Transportation, Agricultural Land Use, International; plus a sixth group for synthesis and integrated analysis.

SUSTAINABLE REDEVELOPMENT IN THE WAKE OF THE MIDWEST FLOODS

OEP, OMB, DOE and FEMA are taking part in meetings organized by the Alliance to Save Energy to begin a process to incorporate energy efficiency and sustainable redevelopment practices into federal disaster relief policies. Also participating is the Mayor of Valmeyer, Illinois, a community which has already voted to relocate rather than rebuild in the floodplain. Valmeyer is committed to embracing energy efficiency and sustainable redevelopment practices as it designs its new community. The Valmeyer experience is an opportunity to determine how such concepts could become an integral part of national disaster relief policy.

Great follow — maybe you & [illegible] visit later

FEDERAL FACILITIES

The Interagency policy group that I co-chair with Alice Rivlin met last Monday to continue discussions on options for improving the priority setting process that federal agencies use to address their environmental cleanup obligations. Among the issues that the group will examine over the next few months are: improving stakeholder participation; reconciling budgetary constraints and clean-up obligations; identifying priority setting factors such as risk and cost-effectiveness; and determining the total scope and cost of cleanups.

PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT

The Council is aggressively preparing for its April meeting in Washington, D.C. where discussions will focus on Energy and Transportation issues and the Council's vision of its final report. Virtually all of the Council's Task Forces have developed their organizational structure, and most of them are presently adding new members to increase their stakeholder representation. The Executive Director recently visited Chattanooga, Tennessee to explore possibilities for a full Council meeting, and PCSD staff met with representatives of the Chemical Manufacturers Association.

DIRECTOR'S MEETINGS

PAST WEEK

2/14 Meeting with Depart of Interior to discuss grazing issues

2/14 Co-chaired interagency group with NEC and OSTP to propose a Beyond 2000 Workplan

2/14 Attended State Department dinner with Vice President & Mrs. Gore and President and Mrs. Nazarbayev

2/15 Meeting with CEO of Lloyd's of London to discuss Superfund reauthorization

2/15 Attended briefing by Secretary O'Leary on upcoming Energy initiatives

2/15 Meeting with the Vice President and major environmental leaders to discuss National Service program involvement

2/16 Traveled with the Vice President to Tacoma Washington for the Watershed Conference

2/17 Speech for the National Congress of American Indians

2/17 Meeting with DOE, and OMB to discuss proposed conference on environmental legacy of the Cold War

THIS WEEK

2/22 Meeting with Members of the California Legislature to discuss environmental concerns

2/22 Meeting with Interior to continue discussion on grazing reform

2/22 Interview with Gannett to discuss Administration's environmental accomplishments in the first year

2/23 Meeting with the President of the National Indigenous Organization of Ecuador to discuss bringing together U.S. oil companies operating in Ecuador and Ecuadorian Amazonian indigenous peoples in a constructive dialogue

2/23 Possible briefing for Members of Congress on the Forest Plan

2/24 Meeting with the Vice President with leaders of major environmental groups attending

2/24 Reception hosted by the Vice President for the environmental community

2/25 Attending President's Council on Sustainable Development Task Force Meeting in Warrenton, Virginia

NH – Pls do thank you from ~~[illegible]~~ put in family file. Do you have this article on my family tree, genealogy? If so, pls get them to me. If not, please see if [illegible]

THE PRESIDENT HAS SEEN
2/22/94 db

Bernard R. Malkmus
4502 Windy Hill Road SE
Decatur, Alabama 35603

February 7, 1994

President William Clinton
The White House
1600 Pennsylvania
Washington D. C. 20000

Dear President Clinton,

The enclosed article which makes reference to your great-great grandfather, William Blythe, Private of Company K, Cocke's Arkansas Regiment appeared in the Alabama Confederate, January 1994.

You may already be aware of this final reinterment and the addition of plaques so that the Confederate soldiers, including your great-great grandfather, are no longer listed as "unknown". Or as busy as you are you may not have known. I thought this article might be of some interest to you.

Respectfully yours,

B.R. Malkmus

B.R. Malkmus

— UNKNOWN NO MORE —

During TWBTS, the open ended animal barns with their four inch gaps in the wall slats and no floors at the State Fair Grounds, Indianapolis, Indiana, became Camp Morton, a POW camp for Confederate prisoners. Records show that 1,616 prisoners here lost the fight of survival and died. Included in this number are 137 Alabamaians. They died of exposure and disease, mainly dysentery, pneumonia, and scurvy, and were buried near the camp. Among the dead can be found the name of Private William Blythe of Company K, Cocke's Arkansas Regiment, who died on February 22, 1864. He is a great-great grandfather of President Bill Clinton.

Their bodies were moved to accommodate city expansion and eventually were placed in Green Lawn Cemetery, Indianapolis, with a nearbv monument two stories tall at Garfield Park that listed their names. In 1933, with the closing of Green Lawn Cemetery, these soldiers were reinterred for a final time at Confederate Mound, Crown Hill Cemetery, the nation's fourth largest cemetery. Here they were listed as "unknown."

Shown with flag is SCV CIC Robert Hawkins, III, followed by Comm. Mickey Walker (SCV Ind. Div.), MOSB CIC Charles Smith, and Comm. Dr. Neal Pitts (MOSB Ind. Soc.). (Picture courtesy of John Yarbrough.)

In 1990, Stephen P. Staletovich and Wayne Sharp, members of the Indianapolis Police Department who are service veterans but who have no Confederate connection, came to believe that an injustice had been done in listing these men as "unknown" at their graves when their names were available. These two officers began a campaign to get the Department of Veterans Affairs/National Cemetery System to provide 10 plaques mounted on granite bases at the Confederate Mound identifying each soldier by name and unit. In time, the SCV, UDC, VFW, American Legion, and Civil War Roundtable joined in the campagin. Ultimately, both US Senators from Indiana were also involved. In late 1993 the dream became a reality.

The October 3 dedication program began from the Gothic Chapel and covered the ¼ of a mile distance to the Mound. Leading the procession was a US Army color guard from Ft. Benjamin Harrison followed by a funeral caisson attended by the US Army honor guard and draped in a Confederate Battle Flag encasing containers of earth from all of the states of the Confederacy, the traditional riderless horse, representatives from all states of the Confederacy accompanied by state flag bearers, and Confederate reenactors with Confederate flags. Each side of the street was lined with reenactors standing in salute.

As the procession approached the Confederate Battle Flag decorated Mound, a cannon salute was fired. When the Mound was reached, the Confederate Battle Flag was removed from the caisson and folded by SCV CIC Robert Hawkins, III, MOSB CIC Charles Smith, SCV AOT Commander Ralph Palmer, Jr., and SCV-MOSB Executive Director Robert Betterton, Jr.

Following a US Army Band playing the national anthem, addresses were given by several dignitaries. A vocalist sang "Dixie" at which time representatives from each state of the Confederacy placed a container of earth from their states into an excavation at the base of the monument. This honor for Alabama was performed by John Yarbrough of Camp 11, Mobile. The honor guard fired a 21 gun salute and the ceremony was completed with a trumpet playing "Taps."

We would like to salute everyone who played a part in the honoring of these Confederate soldiers who failed to return home. Never again will they be listed as "unknown." Our thanks go to Dr. Neal Pitts and John Yarbrough for providing information and pictures for this article.

Each of the pictured markers lists the names of Cofederate dead resting in the Mound at Crown Hill Cemetery. (Picture courtesy of Dr. Neal Pitts.)

THE PRESIDENT HAS SEEN
2/22/94 db

THE WHITE HOUSE

WASHINGTON

94 FEB 22 A7:13

February 22, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

JOEL I. KLEIN
DEPUTY COUNSEL TO THE PRESIDENT

CLIFFORD M. SLOAN CS
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: DOJ action in voting rights cases

As you know, important voting rights cases regarding congressional districts are pending in five southern States (North Carolina, Georgia, Texas, Louisiana, and Florida). The cases will test the Supreme Court's Shaw v. Reno decision from last June. In that case, the Court held that districts which cannot be explained for any reason other than race are subject to strict scrutiny (i.e., must be narrowly tailored to serve a compelling governmental interest -- a very difficult standard to meet) in an Equal Protection challenge, even if the districts were drawn to preserve and extend minority voting strength.

DOJ has already participated in the Louisiana case in order to defend the challenged minority districts. On Tuesday, February 22, the Justice Department will announce that it will enter and defend the challenged minority districts in three additional States (North Carolina, Georgia, and Texas). DOJ is also considering participation in the Florida case.

DOJ's participation in the North Carolina and Texas cases will be as an amicus curiae, as it has been in the Louisiana case. In the Georgia case, DOJ will participate as an intervenor. DOJ's decision whether to file as an amicus or an intervenor is based on the history and procedural details of each case.

Attached is a draft statement and Q & A's. We recommend that you make a general statement of principle, strongly reiterating your commitment to vigorous protection of voting rights and protection of hard-won minority voting gains, and that you leave particular litigation details to the Justice Department. Your statement should not be issued until after the DOJ announcement is made (late morning or early afternoon).

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release February 22, 1994

STATEMENT OF THE PRESIDENT ON DEPARTMENT OF JUSTICE
ACTION IN VOTING RIGHTS CASES

I have been advised that the Department of Justice has announced that the United States will participate in voting rights litigation in three States to defend minority voting opportunities. The legal action taken today in cases in North Carolina, Georgia, and Texas reaffirms my Administration's strong commitment to defend the historic gains made under the Voting Rights Act.

The Voting Rights Act ensures that all Americans may fully participate in the democratic process. In recent years, our nation has enjoyed a tremendous increase in minority voter access to our electoral system.

These hard-won victories must not be abandoned. I applaud the forceful actions of Attorney General Reno and the Justice Department to ensure that voting rights are vigorously protected.

Q: Why is the Department of Justice taking this action?

A: Lawsuits have been filed to set aside congressional districts which have resulted in historic minority gains. The Department of Justice is taking this action as part of its traditional role of protecting voting rights.

Q: Is this a political deal to mend fences with the Congressional Black Caucus?

A: Absolutely not. The Department of Justice's action reflects our deep commitment to the principle of protecting voting rights and the gains made under the Voting Rights Act. Every one of the congressional districts at issue in these cases was specifically approved by the Justice Department in the Bush Administration.

Q: Will the Justice Department participate in other cases?

A: The Justice Department has already participated in litigation in Louisiana. I understand that the Department is reviewing litigation in Florida. I refer you to the Justice Department for the details of the litigation decisions.

Q: What role did the White House play in this decision?

A: All of the decisions were made by the Justice Department, based on a careful analysis of the law and facts of each case. The Justice Department briefed the White House on these decisions. The President, of course, has publicly emphasized his deep commitment to protecting voting rights.

Q: Why is the Justice Department "intervening" in one case and only participating as an amicus in two other cases?

A: Again, I refer you to the Justice Department for the particular details of the cases. The important point is that the Justice Department is taking a strong position in these cases defending voting rights and the historic gains achieved by minority voters.

MACK McLARTY

THE PRESIDENT HAS SEEN

2.22.94

February 21, 1994

To: The President

Regarding the attached, the Weed and Seed program is much easier to do. The third round of community police money is going to be extremely tight. However, rest assured, we will do one program or the other. We will let you know when it is done.

Mack

Attachment

THE PRESIDENT HAS SEEN 2/17

THE PRESIDENT HAS SEEN

2.22.94

THE WHITE HOUSE

WASHINGTON

February 15, 1994 94 FEB 15 P6:25

MEMORANDUM FOR THE PRESIDENT

THROUGH: MACK McLARTY

FROM: PAUL TOBACK PT

SUBJECT: FOLLOW-UP WITH SHREVEPORT POLICE CHIEF PRATOR

Pursuant to your request, I contacted Shreveport Police Chief Stephen Prator who you met when you were in Louisiana. Chief Prator is interested in obtaining both Weed and Seed money and money for hiring new police officers from the supplemental budget appropriation. Both of these disbursements are handled by the Justice Department which has processes in place to handle the selection of recipients.

I talked to Marcia Hale who is already working on requests from other cities. She agreed to work directly with Chief Prator and he is going to call her this afternoon.

Chief Prator was thrilled that we had called to follow-up. He said that although he is interested in doing what he can to obtain new police-related money for Shreveport, the fact that he got a call back was just as important even if Shreveport does not end up getting any new money.

cc. Marcia Hale

Maybe we can at least do one - Is Weed + Seed easier?

MAYBE WE CAN
AT LEAST DO ONE -
IS WEED and SEED EASIER?

STEPHEN W. PRATOR
CHIEF OF POLICE
SHREVEPORT POLICE DEPARTMENT

POLICE (318) 226-5800
FAX (318) 226-6078

P. O. DRAWER P
SHREVEPORT, LA. 71161-0040

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
2/22/94 db

02. 21. 94

Mack

Mr. ~~President~~ –

GOVERNOR Mabus called you at 12:10 pm.

He said he was calling at your request after your meeting last week.

He said yes.
Hooray!

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
2/22/94 db

C Rasco

Is there a school
breakfast issue in Cong?
Saw sign at Ohio
meeting
Also do homeless vets
get less services than poor
homeless?

Robert J. Samuelson

THE PRESIDENT HAS SEEN
2/22/94 cb

Here's Some Good News, America

A constant gripe about the press is that we have nothing good to say about anyone or anything. We revel in sleaze and scandal. We glory in human frailty. We specialize in character assassination. We enjoy natural disasters. Is it true? Of course. The news about the press is like everything else. It's bad and getting worse: our news standards, always low, are sinking lower. Well, America, here's an antidote. It's an unabashed good-news column.

If you're tired of mayhem and misery, this is for you. It's a dose of straight optimism. I have just received my latest edition of the Statistical Abstract of the United States. Published by the Census Bureau, it's full of intriguing facts about America: everything from the share of U.S. households with pets (37 percent have dogs) to the number of libraries (31,167). I have scoured it for underreported or underappreciated good news. Following are 10 trends you can actually smile about.

1. American industry, far from going out of business, is now producing more than ever.

In 1992 manufacturing output was 39 percent higher than in 1980 and 95 percent higher than in 1970. Things that were hardly made 20 years ago are now produced in massive amounts. In 1991, for example, U.S. factories shipped 10.2 million personal computers. But we need fewer people (18.2 million in 1992) than in 1970 (19.3 million) to make all these things. This greater efficiency is not an economic drag; it releases more Americans to supply other things we want—from software to health care.

Do we underplay real signs of progress? Of course.

2. The United States still leads the world in Nobel prizes.

Hey, it's no contest. Between 1976 and 1991, Americans won 63 of the 102 awards in chemistry, physics and medicine. The next closest countries, Britain and Germany, had nine each.

3. We are healthier and less accident prone than ever.

Since 1970 the death rate in auto accidents is down one-third; cars are safer, more people use seat belts. On-the-job deaths have dropped by more than one-quarter (from 14,000 to 10,000) since 1960, although the labor force has doubled. With cancer and AIDS as glaring exceptions, death rates from diseases are down; the decline for heart disease is 40 percent since 1970. Life expectancy is up. In 1991, it was 76 years; in 1970, it was 71 years.

4. One reason we're healthier is that we smoke less and take fewer drugs. Our diets have also improved.

The demise of smoking as a social institution is one of the great events of our era. In 1965, 42 percent of the over-18 population smoked; in 1991, 26 percent did. Casual drug use also is on the wane. Among 12- to 17-year-olds, marijuana use is down from 23 percent in 1979 to 13 percent in 1991. We're eating better. Compared with the late 1950s, we eat 11 percent more protein and 44 percent more Vitamin E per person. Meanwhile, cholesterol intake per person has declined 14 percent.

5. Consumer complaints against airlines are way down.

Airlines may be losing tons of money, but they must be doing something right. In 1987 passengers lodged nearly 41,000 complaints with the government. About half involved flight delays or cancellations. In 1992 complaints totaled only 5,600.

6. Most children still live with both natural parents—and the divorce rate may be stabilizing.

For all the talk of family breakdown, roughly seven of 10 children under 18 live with both parents. The rate is highest for whites (77 percent), lowest for blacks (36 percent) and in between for Hispanics (65 percent). The number of divorces has actually dropped slightly from the peak year, 1981 (1,213,000); in 1988 there were 1,167,000 divorces.

7. We've improved the environment and energy use enormously.

The air is a lot cleaner than it used to be. Since 1970, lead emissions are down 97 percent; particulates (soot, smoke) have dropped 61 percent and hydrocarbons 38 percent. The record in energy use, though not as good, is still impressive. Homes built in the late 1980s use nearly 30 percent less energy than those built in the 1950s. In 1991 cars got an average of 21.7 miles to a gallon of gasoline, up from 13.5 mpg in 1970. Population and economic growth have offset some efficiencies; still, total energy use in 1991 was only 4 percent higher than in 1978.

8. Foreign tourism here is booming.

Whatever's wrong with us, it isn't deterring foreigners. Since 1985, the number of overseas tourists has more than doubled, to 14.7 million, in 1991. Two fifths are from Europe; Japan sends more (2.9 million) than any other country.

9. We remain remarkably generous with our time and money.

About a fifth of adults do volunteer work. Of these, 37 percent work for churches and religious groups, while 15 percent work in schools. In 1991, we gave $125 billion to charities. Most ($103 billion) came from individuals. Americans now give more of their disposable income to charity than in 1970.

10. Our homes are getting bigger and better equipped.

In 1992, the typical new home had 1,920 square feet, up from 1,385 in 1970. Three-quarters had central air conditioning, compared with only one-third in 1970. Over the years, there's been a constant shift from smaller to larger houses.

The message from all this is not quite what you think. It might be that, amid all our national pessimism, we must be doing something right. It might be that the press, preoccupied with the latest social pathology or political scam, is missing deeper social trends that more directly affect most of us. It might even be that our much-maligned government actually succeeds once in a while (note the lower pollution and greater auto safety). The message might be all of these things; but it isn't.

The real point is that good news is boring. I mean, how much more of this can you stand? Do you really want to know that the share of public schools offering computers rose from 18 percent in 1981 to 98 percent in 1991? Hey, the Statistical Abstract is also crammed with lots of bad stuff. In 1991, there were 1.8 million reported cases of child abuse and neglect involving nearly 2.7 million children. Now, that's real news.

C1

THE PRESIDENT HAS SEEN
2/22/94 db

THE WHITE HOUSE

WASHINGTON

94 FEB 11 P6:24

February 11, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE MCGINTY

CC: THOMAS MCLARTY

SUBJECT: OEP WEEKLY REPORT

ENVIRONMENTAL JUSTICE

This morning (2/11) you signed the Executive Order on Environmental Justice, which was well received by both the Hill and environmental justice leaders. This initiative has received very good press from the New York Times, as well. EPA Administrator Carol Browner will now convene an interagency working group to oversee implementation of the order. The working group will report to you through Carol Rasco and me. Stakeholder participation in implementation of the order will be critical.

THE ENVIRONMENTAL BUDGET

The budget released on Monday has been receiving broad and enthusiastic support from the environmental community. An AP wire story contained this description:

> From spending more money to protect wetlands, rivers and lakes to getting Americans to burn less oil instead of drilling for it in an Arctic refuge, the Clinton proposals brought praise Monday from environmental leaders.
>
> 'This is an earth budget,' said Ralph DeGennaro of Friends of the Earth.
>
> Peter Berle, President of the National Audubon Society, called the budget 'refreshing' and said that it 'reflects the commitment the Administration seems to be making' toward environmental protection. 'We feel very good about it.'

OEP will be working closely with OMB, Congressional Affairs, and the agencies to ensure that the priorities in the budget are reflected in the Congressional appropriations process.

CLIMATE CHANGE

OEP coordinated final policy negotiating instructions for the State Department delegation to the 9th Session of the International Negotiating Committee in Geneva. The U.S. position, that the existing climate convention does not adequately address the long-term threat of global climate change, was supported by all OECD countries except Australia.

CALIFORNIA FEDERAL IMPLEMENTATION PLAN (FIP)

Under a February 14 court appointed deadline, EPA will announce the California FIP and begin a process of negotiating with state, local, and private sector stakeholders to replace the controversial FIP measures with elements of an approvable State Implementation Plan (SIP).

PACIFIC SALMON

OEP coordinated the Commerce Department's announcement last Wednesday on Capitol Hill of a very complex five year plan for protecting the endangered salmon stocks of the Columbia and Snake Rivers. The issue of salmon dwarfs spotted owls in terms of potential impacts on the Northwest. Given the degree of your investment in solving the spotted owl problem, ensuring that the salmon issue is worked out properly is very important: a war on salmon could bring to naught all your good efforts thus far in solving these tough natural resource problems. The recently announced plan was generally well received by the delegation as representing a credible and responsible approach to a difficult problem, and the press was favorable. We have pushed hard to open the consultation process under the Endangered Species Act to include the states in the region, and they are now reviewing the five year plan before we promulgate it in final form (in a couple of weeks).

FORESTRY

Next week the Northwest delegation is hosting a Watershed conference in Tacoma, Washington, which the Vice President and other Administration officials will attend. Given the fact that we are only several weeks away from releasing your final forest plan, the event will be closely watched throughout the region. A major speech by the Vice President will drive home the fact that you have followed through on last year's commitment to the region to do everything you can to solve these problems and to outline the broad framework of what is to come. We expect a positive reception to the event.